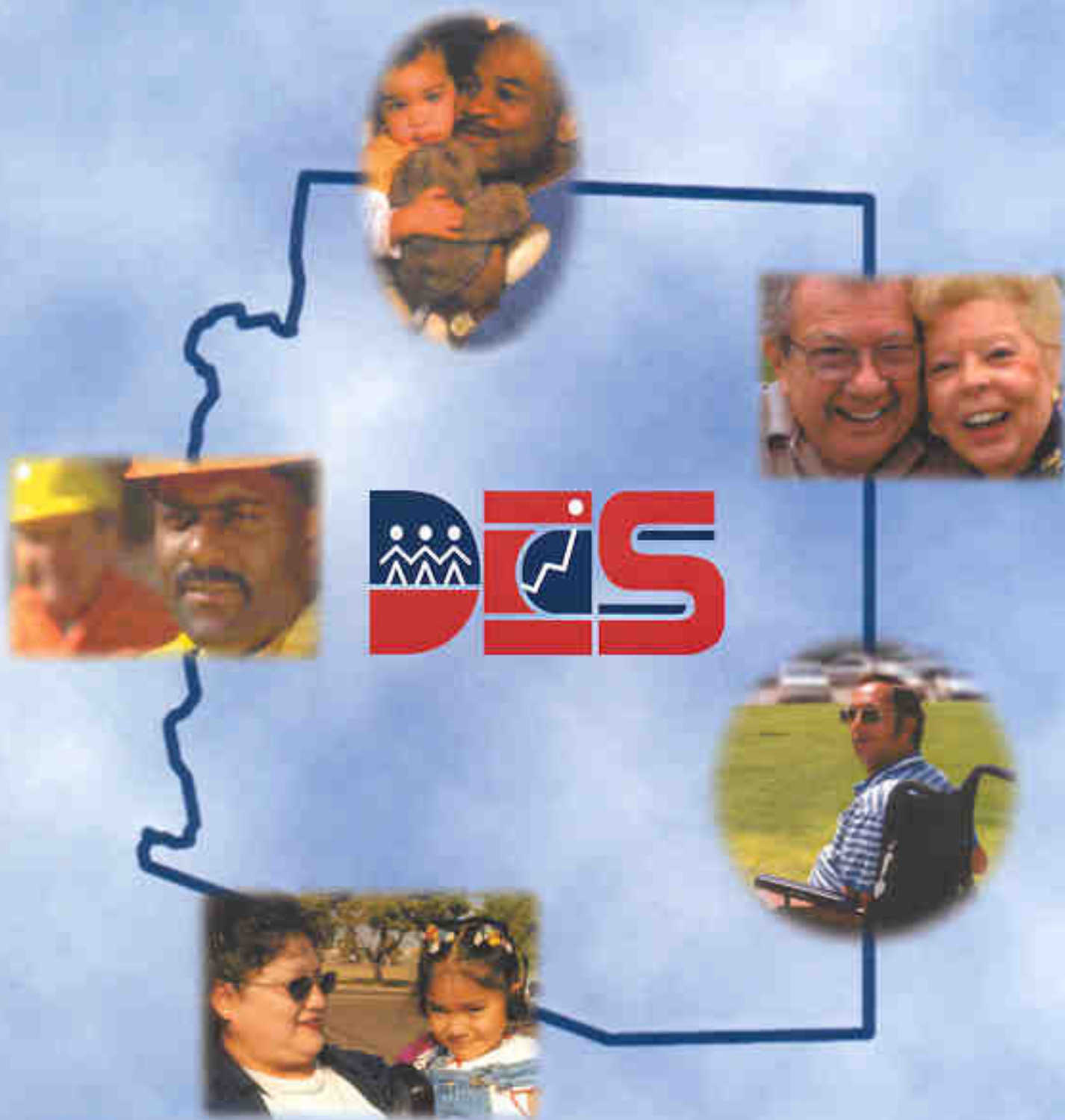


Arizona Department of Economic Security

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 1999



*Working with the people we serve  
to achieve their self-sufficiency*

ARIZONA DEPARTMENT OF ECONOMIC SECURITY  
A DEPARTMENT OF THE STATE OF ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended  
June 30, 1999

Prepared by the  
Division of Business and Technology Services

# ARIZONA DEPARTMENT OF ECONOMIC SECURITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 1999

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**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**A DEPARTMENT OF THE STATE OF ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**INTRODUCTORY SECTION**

LETTER OF TRANSMITTAL  
LIST OF PRINCIPAL OFFICIALS  
ORGANIZATIONAL CHART



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**Arizona Department of Economic Security**

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1717 West Jefferson – P.O. Box 6123 – Phoenix, AZ 85005

Jane Dee Hull

John L. Clayton

Governor

Director

December 28, 1999

The Honorable Jane Dee Hull  
Governor of the State of Arizona;  
Members of the Arizona Legislature;  
and the Citizens of the State of Arizona:

We are pleased to present the Comprehensive Annual Financial Report for the Arizona Department of Economic Security (Department), a department of the State of Arizona, for the fiscal year ended June 30, 1999. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Department. To the best of our knowledge and belief, this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

This report is presented in three sections: Introductory, Financial and Statistical. The introductory section includes this transmittal letter, a list of the Department's principal officials and the Department's organizational chart. The financial section includes the independent auditors' report, financial statements and notes, and the combining and individual fund and account group financial statements and schedules. The statistical section includes selected schedules that present various financial and demographic data on a multi-year comparative basis relative to the Department's operation as a human service agency.

The objective of the Comprehensive Annual Financial Report is to provide data relative to the financial position of the Department in conformity with generally accepted accounting principles. The report includes all funds and account groups used to record the financial activity of the Department.

The Department has six district offices and more than 270 locations statewide. District offices are located in Phoenix, Tucson, Flagstaff, Yuma, Casa Grande and Bisbee. Approximately 9,600 people are employed by the Department, which was established by the State Legislature in July 1972 by combining the Employment Security Commission, the State Department of Public Welfare, the Division of Vocational Rehabilitation, the State Office of Economic Opportunity, the Apprenticeship Council and the State Office of Manpower Planning. The State Department of Mental Retardation joined the Department in 1974. The purpose in creating the Department was to provide an integration of direct services to people in such a way as to reduce duplication of administrative efforts, services and expenditures. This purpose has resulted in the Department developing the following mission statement:

## **MISSION**

**The Arizona Department of Economic Security is a human service agency dedicated to working with the people we serve to achieve their self-sufficiency.**

### **Organization and Services Provided**

The Department is organized into three clusters: Protective, Social and Community Services; Employment and Economic Assistance; and Operations.

The Protective, Social and Community Services cluster consists of the Division of Aging and Community Services, the Division of Children, Youth and Families and the Division of Developmental Disabilities.

The Division of Aging and Community Services (DACS) provides and contracts for services, such as emergency assistance, food distribution information for the hungry, rural food banks, shelter and supportive services to victims of domestic violence, refugee resettlement services, shelter for the homeless and information and referral. Adult services programs include adult protective services, the supplemental payments program, home care, congregate and home-delivered meals, case management and institutional support payments.

The Division of Children, Youth and Families (DCYF) provides foster care services for children who are hard to place and other children's services, such as child protective services, adoption services, in-home family services and intensive family services for families whose children are at imminent risk of out-of-home placement. In addition, comprehensive medical and dental coverage is provided for foster children under the jurisdiction of the Department, juvenile probation offices and the Department of Youth Treatment and Rehabilitation.

The Division of Developmental Disabilities (DDD) provides services to individuals with developmental disabilities through a 100 percent State-funded program and the Arizona Long-Term Care System (ALTCS), which is funded by the State and the Federal Health Care Financing Administration through the Arizona Health Care Cost Containment System (AHCCCS). Both programs provide foster care, as well as residential, adult day care and children's services. In addition, the ALTCS program provides acute medical care to eligible individuals.

The Employment and Economic Assistance cluster consists of the Division of Child Support Enforcement, the Division of Benefits and Medical Eligibility and the Division of Employment and Rehabilitation Services.

The Division of Child Support Enforcement (DCSE) administers Arizona's child support enforcement program. The services of the Division include locating absent parents, establishing legal obligations and the amounts of child support payments, payment collections, and investigating and modifying child support payments.



The Division of Benefits and Medical Eligibility (DBME) administers the Temporary Assistance for Needy Families (TANF), Food Stamps and State-funded General Assistance programs. In addition, the Division determines eligibility for the State's medical assistance program (AHCCCS), as well as supplemental security income through its Disability Determination Services Administration.

The Division of Employment and Rehabilitation Services (DERS) administers Arizona's unemployment insurance and job service programs. In addition, the Division provides job training opportunities through administration of the Job Training Partnership Act (JTPA), Jobs Program, and Vocational Rehabilitation programs. The Division also administers a comprehensive set of child care programs.

The Operations cluster consists of the Division of Employee Services and Support and the Division of Business and Technology Services. In addition, the Office of Legislative Services and the Office of Equal Opportunity report directly to the Deputy Director of Operations and Employment and Economic Assistance. The Office of Communications and Legal Services report to the Director.

The Division of Employee Services and Support (DESS) provides support services to all employees and programs, including appellate services, audit and management services, special investigations, internal security, research, organization and management development, volunteer services and personnel.

The Division of Business and Technology Services (DBTS) is comprised of the Office of Business and Finance (OBF) and the Office of Technology Services (OTS). OBF provides office and general business services to the Department, such as accounting; finance; budget; policy, planning and project control; collections; procurement; facilities management; printing and mail management. OTS provides automation and telecommunication support to the Department, including system design and programming, data base management and technical support.

### Economic Conditions and Outlook

The following economic information has been obtained from the Department's Research Administration.

Containing inflation has been Alan Greenspan's lesson throughout the 90's, and the Greenspan-led Federal Open Market Committee has held steady on the course against inflation and toward controlled economic growth. This has allowed the southwestern economy to be especially vibrant. Strong population inflows have provided much of the impetus for job growth, and recent data for 1999 continue to suggest that the inflow has not yet subsided. Arizona continues to offer good job and business prospects, as well as varied amenities for retirees.

The Grand Canyon State's economy is projected to grow by more than 127,000 jobs during the 1999-2000 period. With the exception of mining, all other industries are expected to expand their workforces. Generally, this forecast translates into growth

of 13,800 jobs in the goods-producing industries and 113,600 jobs in the service industries. Based on this forecast, the decade of the 1990s will have shown Arizona's economy to have grown by nearly 668,000 nonfarm jobs—an expansion of almost 50 percent. Arizona's economy for 1999 is forecast to show a 12-month average growth of nearly 73,000 jobs, representing an annual growth of 3.5 percent. Nationally, jobs are forecast to grow 1.9 percent in 1999 and four-tenths of one percentage point in 2000.

In an economic environment where interest rates are still at modestly low levels, Arizona's construction activity in recent years has continued at a brisk pace. While permit data show nonresidential activity is slowing, growth in residential construction has continued; however, much of the pent-up demand for housing is assumed by most to be satisfied. Arizona's construction industry is forecast to conclude the 1999 year averaging job growth of slightly more than 12,200, a growth rate of 8.5 percent. While jobs in construction are forecast to shrink in 2000 by roughly one-tenth of one percent, the industry is expected to sustain some continued activity in areas of infrastructure development, renovation and development, and some new housing, before dropping off further in 2001.

In January 1992, Arizona's mining industry represented more than 2.1 percent of all nonfarm jobs in the state. With the layoffs occurring this year, the remaining employment in the mining industry represents less than one half of one percent of all jobs. While mining—especially for copper—has represented a valuable industry for the state, clearly the trend over time has been one of declining economic significance. The mining industry is forecast to lose 3,700 jobs over the forecast period, falling to a level representing just around four-tenths of one percent of all nonfarm jobs by 2000. The oversupply of copper is not expected to sharply change, and major mergers are likely as the industry landscape takes on a new, adjusted form.

Arizona's manufacturing industry continues to experience some of the lagging effects of the Asian economic crisis. While manufacturing grew nearly five percent in 1998, the industry is forecast to slow in 1999 to 1.2 percent. Only a slight increase to 1.3 percent is expected for the economy in 2000. Manufacturing jobs are forecast to grow by 2,700 in the Tucson Metropolitan Area (MA) and by 3,500 in the Phoenix-Mesa MA.

Arizona's services industry is forecast to grow by more than 48,800 jobs in the 1999-2000 period. Although the state has experienced slower growth in business services and the hotels and restaurants sectors in recent months, jobs in health services continued to expand in the healthy three percent range. Forecasted growth rates for the two metropolitan areas range between three to four percent and are in the mid-five percent range for the balance of the state.

Trade jobs are forecast to grow by 3.4 percent in 1999, nearly matching the pace of 1998. Trade industry job growth is expected to slow in 2000 to roughly two percent. Both wholesale and retail are expected to add jobs over the forecast period. The local growth trend coupled with similar economic growth nationwide has been a great benefit to Arizona. While Arizona's trade industry has long catered to winter visitors and recreation seekers, sports arenas and events have expanded to capture a great deal of attention and dollars, fueling a variety of other concession revenues and jobs.

Arizona's transportation, communications and public utilities (TCPU) group continues to experience the effects of more recent deregulation. Technology is also largely changing the communications sector, and competition has intensified, while Arizona's public utilities are soon to face the forces of outside competition. The TCPU group is forecast to add nearly 8,000 jobs in the two-year period.

Further growth in Arizona's finance, insurance, and real estate (FIRE) group is expected over the forecast horizon. Deregulation of the financial industry has continued to present some monumental changes to the components of the industry group, as companies have engaged in huge mergers to remain competitive. As well, a thriving economy has summoned the need for many real estate brokers, stock market traders and analysts, banking and insurance staff. Although some consolidations are expected, Arizona's FIRE group is forecast to average growth of nearly five percent over the 1999-2000 period, growing by more than 14,000 jobs.

Arizona's government is forecast to add more than 16,000 jobs, at a growth rate near two percent. A large portion of this growth will be in education due to a fast growing population.

#### Major Initiatives

During fiscal year 1998-99, the Department continued, commenced and planned a number of projects aimed at streamlining processes and improving customer service. The most significant projects are outlined below.

- Family Builders

Family Builders began January 1, 1998 as a two-and-a-half-year pilot program. This program is an alternative response to potential or low-risk child abuse and neglect reports through the provision of family-centered assessment and services versus a Child Protective Services investigation. The family-centered, community-based providers and collaborators work as partners with families who choose to participate in the program. These providers and collaborators conduct family assessments, perform case management and provide a variety of services to families, including parenting skills training, guidance counseling, assistance with transportation, emergency shelter, etc. The goal of the program is to enhance parents' ability to create safe, stable and nurturing home environments that promote the safety of all family members and healthy child development.

- Children's Information Library and Data Source (CHILDS)

CHILDS is a comprehensive statewide automated child welfare information system that supports approximately 1,800 staff providing child protective, foster care, adoption and other related child welfare services. A key feature of CHILDS is dial-up accessibility, allowing case managers equipped with modems in their laptop computers to dial up CHILDS twenty-four hours a day, seven days a week, from any location via a phone line and perform all necessary data recording and recovery tasks. CHILDS has greatly enhanced the ability of DCYF staff to serve families and improve the lives of children. The CHILDS system has been recognized nationally as a premier child welfare automation system supporting case managers. On-line demonstrations of CHILDS using dial-up capabilities have been used at national

conferences to display the power, functionality and user friendliness to technical and program staff from other states.

- Electronic Benefits Transfer (EBT)

The EBT project is a key initiative of the Department. EBT changes the method used to issue food stamps and TANF cash assistance benefits from a paper-based, mail-delivered system of issuance to one in which both food stamps and TANF cash assistance are provided via a plastic debit card. The EBT project is being accomplished with the assistance of a contractor, Citibank Services, Inc. The pilot test of the system was initiated in Pima County in July 1998. Statewide implementation was completed on August 1, 1999. The EBT Project Team has added General Assistance and Refugee Assistance as benefits distributed by the EBT system. Jobs Program Training Related Expense payments and the Supplemental Payments Program will be added in fiscal year 2000.

- Adult Protective Services Centralized Intake

In fiscal year 1998, legislation was passed to provide Adult Protective Services with funding to develop and implement a centralized intake system. Centralized intake which provides the community and identified professionals the opportunity to report incidents of abuse, neglect or exploitation of vulnerable or incapacitated adults on a 24-hour basis was implemented in April 1999. Adult Protective Services networks with existing emergency systems, such as law enforcement, emergency rooms and paramedics in providing 24-hour intake.

- Healthy Families Arizona Program

The Healthy Families Arizona Program is a community-based, multi-disciplinary program serving families of newborns and is designed to reduce stress, enhance parent-child interaction, promote child health and development, and minimize the incidence of abuse and neglect within a multi-cultural environment. This voluntary home visitation program provides a Family Support Specialist (FSS) who assists the family in obtaining services and provides emotional support, informal counseling, role modeling, effective life coping skills, bonding and education on developmental assessments so that any learning disabilities, physical handicaps or behavioral health needs are identified early. The FSS provides education on the importance of preventive health care, assistance and encouragement to assess comprehensive private and public preschool and other school readiness programs, assistance in applying for private and public financial assistance, including employment services, and parent-child interaction. The FSS works closely with the child's pediatrician in monitoring the child's health. Families may be visited anywhere from weekly to quarterly according to the family's level of need. Program services are available until the child reaches five years of age.

- Business Initiative Partnerships

The Business Initiative Partnerships is a public-private partnership primarily developed as one method to respond to the expected increased need for child care for the Welfare to Work initiative. The partnership's mission is to formalize recruitment, orientation, training and job placement of Department recipients who

have an interest in the child care field. The goals of this project are to provide meaningful employment to individuals currently receiving public assistance and to assist in meeting the on-going and increasing need for qualified child care providers throughout the State.

To assist communities in addressing the need for an adequate supply of quality child care, the Department initiated and has maintained the following five projects.

- Arizona Early Childhood Business Initiative Partnership—to provide two weeks of training in Early Childhood Education for Department clients and the public;
  - Child Care Supply Expansion Project—to plan and develop new child care spaces throughout Arizona;
  - Home Recruitment Study and Supervision Contracts—to assist in meeting the increasing demand for child care in rural and low-income urban areas;
  - Statewide Early Child Care and Education Career Development System—to form a statewide plan for a child care and education career development system for early childhood caregivers and educators; and
  - Improving the Quality and Supply of Infant/Toddler Care—for initiatives to improve the quality of infant/toddler care.
- 
- One-Stop Career Centers

One-Stop Career Centers are a United States Department of Labor initiative to unify the “patchwork” of categorical programs into a single workforce development system. The One-Stop Career Center System (OSCCS) provides access for customers statewide to basic, high quality employment and education services. All counties within the state have One-Stop access. One-Stop Career Centers are access points (including electronic access, satellite offices and full-service centers) to a wide array of employment and training-related information and services.

In fiscal year 2000, the Senior Community Service Employment Program (Title V) will be one of the 14 required core partners in OSCCS under the Workforce Investment Act. Core services for older workers under OSCCS will include eligibility determination; intake; orientation; initial assessment of skill levels and aptitudes; job search; and placement assistance.

- Subsidized Guardianship

Arizona passed legislation in 1999 which establishes a subsidy program for guardians. The program is available in cases where family reunification and adoption have been ruled out as viable permanency options and where an appropriate adult (e.g., a relative or foster parent) has obtained guardianship of the child. Before receiving benefits from this program, the guardian must have applied for any and all state and federal entitlements which may be available and appropriate. The actual subsidy will consist of a monthly maintenance payment which is offset by other direct benefits the child receives. The availability of this program will directly contribute to the achievement of permanency for children and to a decrease in the number of open Child Protective Services cases.

- Arizona Early Intervention Program for Infants and Toddlers (AzEIP)

AzEIP is a system of programs that identifies children from birth to three years of age who have special needs. The program provides evaluation/assessment, support and services and coordination of the support and services using a comprehensive, family-centered approach. AzEIP was established based on the Individuals with Disabilities Education Act (IDEA), Part C. The law gives primary responsibility for planning and implementation of the program to a single state agency, named by the Governor, which in Arizona is the Department of Economic Security. As required by the law, the Department has obtained interagency agreements to carry out the fiscal and programmatic responsibilities of the program. The Department has entered into interagency agreements with the following agencies: Arizona Department of Health Services, Arizona Department of Education, Arizona Health Care Cost Containment System, and Arizona State Schools for the Deaf and Blind.

- Arizona Works

In 1997, legislation was passed which established a Procurement Board to oversee implementation of a welfare reform pilot project. This project was designed to test the validity and cost effectiveness of privatizing the delivery of specific welfare programs to clients. Included in the original plan was the delivery of eligibility determinations for TANF, General Assistance, Food Stamps, Medicaid and TANF child care and the delivery of TANF and Food Stamp-related employment services. On January 11, 1999, the Department entered into a contract with MAXIMUS, Inc. to operate as the Arizona Works Agency and deliver services limited to TANF, General Assistance, and TANF child care eligibility, TANF employment supportive services and the Food Stamps Employment and Training program. The Department provides support to the pilot by providing technical assistance to the Procurement Board and by coordinating service delivery with the Arizona Works Agency.

- Welfare Reform

As part of ongoing efforts to enhance the existing welfare program, the Department implemented several programs and services that foster self-sufficiency. Some of these initiatives promote employment, retention and wage progression for TANF Cash Assistance recipients and include the following:

- Employment Transition Program—provides direct and intervention services to TANF families with multiple barriers to employment and job retention. The services include family assessments, housing search and relocation, intensive family preservation services, counseling, case management, child care, parenting skills training, transportation, emergency services, parent aide services, shelter services with parental consent and respite services.
- Post-Employment Education—pays for education or training for current or former Jobs Program participants who are employed in unsubsidized employment. The training provides these individuals with the opportunity to acquire more valuable work skills, enabling them to retain their current jobs and to obtain a better position. Participants may receive training for jobs that are in demand in the local labor market.

- Wheels to Work—matches donated vehicles with TANF Cash Assistance participants that have a verifiable job, but lack transportation. The goal of the program is to assist TANF Cash Assistance participants who have a transportation barrier to move from welfare dependency into the workforce. A contract has been awarded to a private entity to establish six locations throughout the state. The Wheels to Work program became fully operational, with statewide coverage effective October 1, 1999.
- Transportation Projects—Arizona provides funding to local communities to expand the availability of transportation services. Transportation assistance also includes a variety of strategies to assist TANF Cash Assistance recipients and recently employed former TANF Cash Assistance recipients with resolving the transportation barrier. These include bus tickets, van routes, car repairs, recycled bicycles and taxi rides.

### Automation Initiatives

The Department continues to enhance its automation capabilities. Automation can have a positive impact on the way the Department provides services to the public and can enhance the productivity of Department staff. Several major automation initiatives have been completed or are underway in the Department, including the following:

- Year 2000 Compliance

The Department began Year 2000 compliance efforts in July 1996, with a comprehensive impact analysis of the automated systems running on the Department's mainframe. Year 2000 activities have since evolved into an agency-wide project affecting all Divisions and Program Administrations, encompassing numerous and complex tasks, activities and components. All facets of the Department's operations have been assessed for Year 2000 impacts, including embedded systems, supply management chains and telephone systems. Contingency plans have also been developed to ensure the continuation of the agency's critical business functions.

- Finger Imaging Project

Legislation was enacted in 1997 requiring all adult applicants, adult recipients and eligible minor parents to be fingerprint imaged for positive identification as a condition of eligibility for receiving welfare assistance benefits of the TANF, General Assistance and/or Food Stamp programs. The fingerprint imaging of welfare applicants and recipients as a means of positive identification is intended to identify and prevent multiple enrollments in Arizona's welfare programs. In 1999, Senate Bill 1357 appropriated \$120,000 to contract for a feasibility study of expanding the Arizona Fingerprint Imaging Program to include clients and applicants of the Arizona Health Care Cost Containment System.

### Financial Information

The Department is responsible for developing and maintaining its internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that assets are properly safeguarded from unauthorized use or

disposition and that financial records are reliable and properly maintain accountability for assets.

The concept of reasonable assurance requires management to make judgments regarding the costs and benefits of a given control feature. The cost of a control should not exceed the benefits expected to be derived. We believe that the Department's internal control structure adequately safeguards assets and provides reasonable assurance that financial transactions are properly recorded.

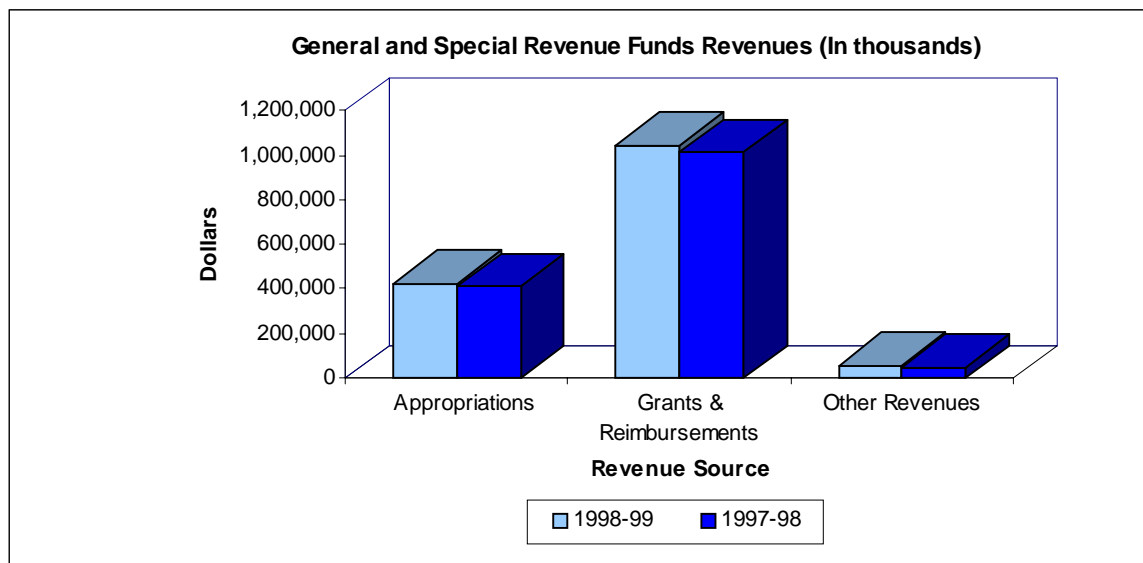
Budgetary control is maintained at the appropriation level. Encumbrance accounting is used to record commitments for expenditures and is a formal extension of budgetary control. Generally, encumbrances lapse at fiscal year-end.

The Department can only legally amend or transfer appropriations in accordance with Arizona Revised Statutes §35-173.C.-E. The Department Director, or designee, normally requests such a transfer through the Governor's Office of Strategic Planning and Budgeting and the Department of Administration.

Summary information, expressed in thousands, for the General and Special Revenue Funds is outlined below.

**Comparison of General and Special Revenue Funds Revenues  
For the Years Ended June 30, 1999 and 1998**

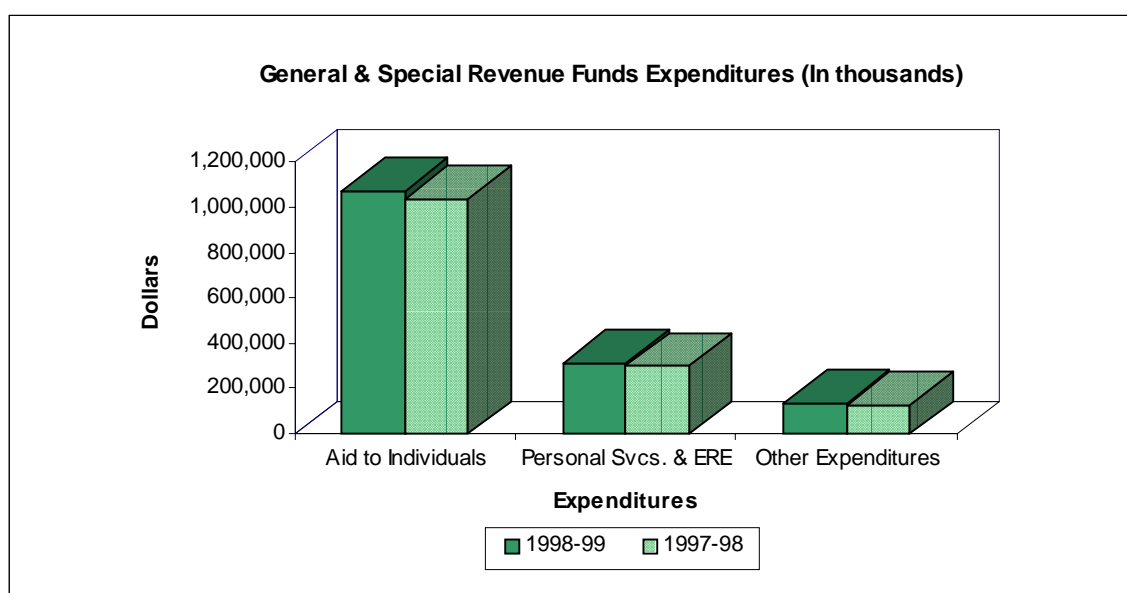
Revenue Source	1998-99		1997-98		Change Increase (Decrease)	% Change Between Fiscal Years
	Amount	% of Total	Amount	% of Total		
State General Fund						
Appropriations	\$ 425,530	27.90%	\$ 409,641	27.80%	\$ 15,889	3.88%
Grants & Reimbursements	1,044,950	68.50%	1,015,554	68.90%	29,396	2.89%
Other Revenues	54,965	3.60%	48,661	3.30%	6,304	12.95%
Total Revenue	<u>\$ 1,525,445</u>	<u>100.00%</u>	<u>\$ 1,473,856</u>	<u>100.00%</u>	<u>\$ 51,589</u>	<u>3.50%</u>





**Comparison of General and Special Revenue Funds Expenditures  
For the Years Ended June 30, 1999 and 1998**

Expenditures	1998-99		1997-98		Change Increase (Decrease)	% Change Between Fiscal Years
	Amount	% of Total	Amount	% of Total		
Aid to Individuals	\$ 1,071,915	70.52%	\$ 1,038,234	71.04%	\$ 33,681	3.24%
Personal Svcs. & ERE	312,637	20.57%	296,303	20.27%	16,334	5.51%
Other Expenditures	135,366	8.91%	126,929	8.69%	8,437	6.65%
Total Expenditures	<u>\$ 1,519,918</u>	<u>100.00%</u>	<u>\$ 1,461,466</u>	<u>100.00%</u>	<u>\$ 58,452</u>	<u>4.00%</u>



A comparison of unreserved fund balances, expressed in thousands, for the Department's General and Special Revenue Funds follows:

Fund	1998-99	1997-98	Change Increase (Decrease)
General	\$ 34,507	\$ 40,067	\$ (5,560)
Special Revenue	11,436	9,520	1,916

The above tables present an overview of the primary operating funds of the Department.

Between fiscal years, State General Fund appropriations increased by approximately \$16 million, while grants and reimbursements revenues and aid to individuals expenditures increased by \$29 million and \$34 million, respectively. The increase in State General Fund appropriations was due primarily to increases in funding for long-term care, children's services, and additional funding received in support of welfare-to-work programs. While food stamps expenditures decreased by \$33 million between fiscal years, the increases in grants and reimbursements revenues and aid to individuals expenditures were primarily attributable to increases in health care

(AHCCCS) and child care programs of \$30 million and \$20.2 million, respectively, and an increase in foster care expenditures of \$4.3 million.

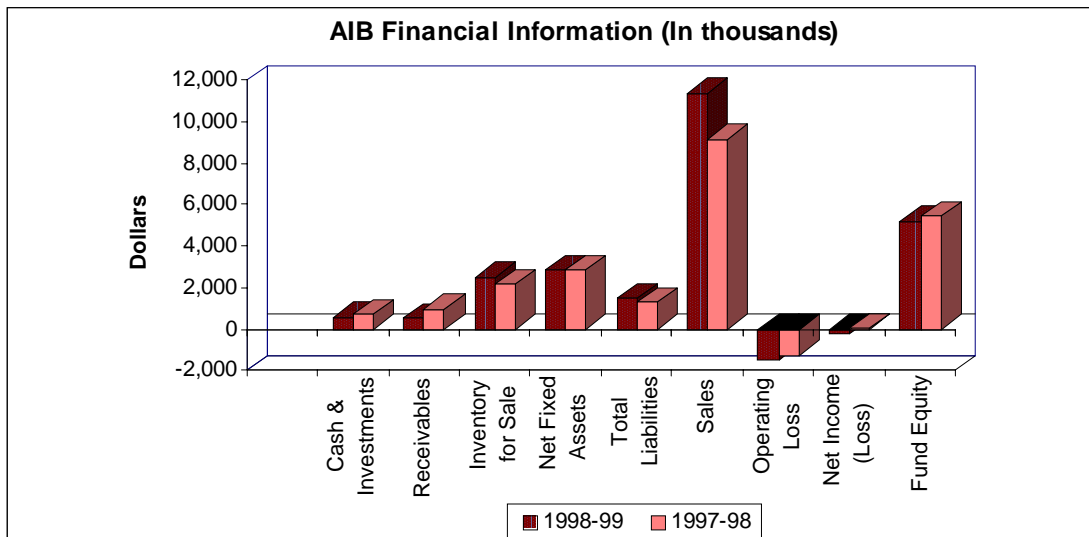
### Enterprise Operations

The Department's Enterprise Fund is used to account for the activities of Arizona Industries for the Blind (AIB). AIB has the statutory authority to operate training centers, workshops and other programs for training and employment of blind persons. AIB activities are operated in a manner similar to private business enterprises. AIB markets household products, cleaning and janitorial supplies, computer paper, military stretchers and various office supplies. Approximately 85 percent of all sales are to the federal government under the auspices of the Javits-Wagner-O'Day Act.

The following summary, expressed in thousands, presents selected AIB financial information.

#### Comparison of AIB Financial Information For the Years Ended June 30, 1999 and 1998

	<u>1998-99</u>	<u>1997-98</u>	<u>Change Increase (Decrease)</u>
Cash & Investments	\$ 597	\$ 735	\$ (138)
Receivables	507	954	(447)
Inventory for Sale	2,483	2,170	313
Net Fixed Assets	2,832	2,843	(11)
Total Liabilities	1,477	1,305	172
Sales	11,381	9,118	2,263
Operating Loss	(1,448)	(1,274)	174
Net Income (Loss)	(239)	51	(290)
Fund Equity	5,202	5,441	(239)



The increase in gross sales in 1998-99 was attributable to an increase of \$3.8 million in sales from the military base supply centers. During this same period, sales from the production unit decreased by \$1.9 million. The increase in the operating loss in 1998-99 was primarily attributable to the decrease in sales in the production unit as a result of a decline in government purchases of commodities.

#### Fiduciary Operations

The Department maintains three agency funds to account for assets held by the Department on behalf of its clients and children of custodial parents. Total assets, expressed in thousands, held by the Department in an agency capacity were as follows:

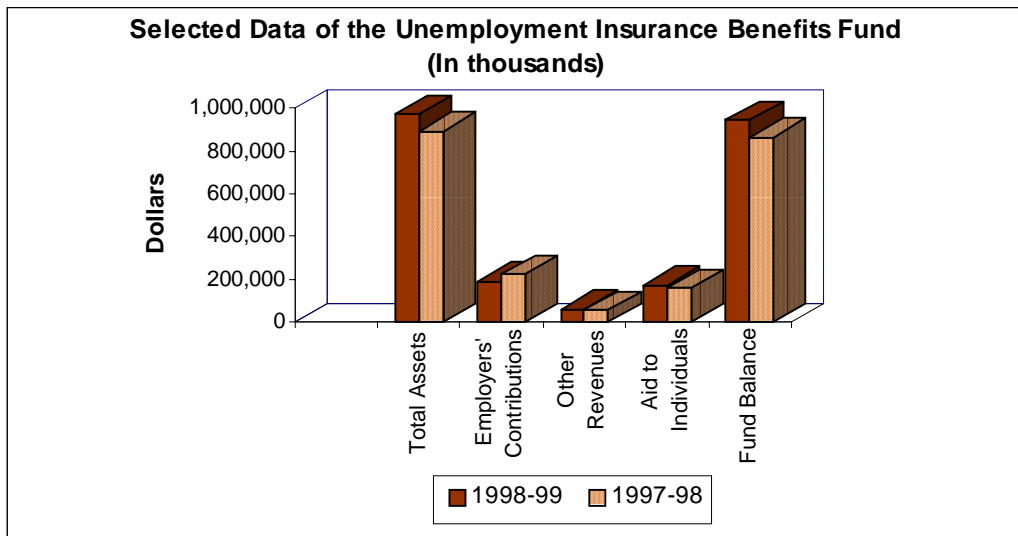
	<u>1998-99</u>	<u>1997-98</u>	<u>Change Increase (Decrease)</u>
Client Trust	\$ 1,616	\$ 1,164	\$ 452
Child Support Enforcement	20,913	7,964	12,949
DD Client Investment	2,677	2,586	91

The increase in the Child Support Enforcement Fund assets is attributable to the centralization of child support payment processing in December 1998. As a result of centralizing the payment process, all private non Title IV-D child support collections that previously were processed through the county clerks of the court are now processed by DCSE.

The Department also maintains two expendable trust funds. The Mesa Land Fund accounts for the proceeds, interest earnings and expenditures from the sale of land gifted to the State. Expenditures from the fund benefit individuals with developmental disabilities. The Unemployment Insurance Benefits Fund accounts for employer contributions to the State's unemployment insurance program, as well as expenditures for unemployment benefits to eligible claimants. The table below, expressed in thousands, outlines summary data for the Unemployment Insurance Benefits Fund.

#### **Comparison of Selected Data of the Unemployment Insurance Benefits Fund For the Years Ended June 30, 1999 and 1998**

	<u>1998-99</u>	<u>1997-98</u>	<u>Change Increase (Decrease)</u>	<u>% Change Between Fiscal Years</u>
Total Assets	\$ 969,918	\$ 893,340	\$ 76,578	8.57%
Employers' Contributions	191,327	223,517	(32,190)	(14.40%)
Other Revenues	59,829	53,485	6,344	11.86%
Aid to Individuals	171,292	159,941	11,351	7.10%
Fund Balance	944,387	866,182	78,205	9.03%



The Unemployment Insurance Benefits Fund had an increase in total assets and fund balance between years. Although employer contributions decreased by \$32.2 million, total employer contributions and interest on investments included in other revenue combined to exceed benefits payments by approximately \$77 million. Employer contributions are formula-driven and are necessary to maintain a given level of fund adequacy to pay future benefits.

#### Cash Management

Most of the General, Special Revenue and Enterprise Funds' cash is on deposit with the State Treasurer. Some of this cash is pooled and invested, and interest earned is generally deposited in the State General Fund. Certain monies are separately pooled and invested, and the interest earnings are credited to the appropriate fund.

Most of the cash in the Expendable Trust Funds is held by the U.S. Treasury in an unemployment insurance trust account. These monies are pooled and invested by the U.S. Treasury. Interest earnings are credited to the trust account.

#### Risk Management

The State of Arizona is self-insured through the Risk Management Division of the Arizona Department of Administration. The Risk Management Division maintains the Risk Management Fund which is accounted for as an internal service fund in the State of Arizona financial statements. During the fiscal year ended June 30, 1999, the Department contributed \$4,087,000 to the Risk Management Fund.

#### Audit and Management Services

The Department's Office of Audit and Management Services (AMS) operates within the Division of Employee Services and Support. AMS staff perform evaluations of internal controls, program compliance and performance. In addition, AMS staff perform compliance and financial reviews of the Department's providers and review single audits submitted by the Department's subrecipients.

### Independent Audit

The Department receives an annual financial statement audit by the Office of the Auditor General. The independent auditors' report is included in this report. The audit is conducted in accordance with generally accepted auditing standards and includes such tests and other auditing procedures as considered necessary in the circumstances. The results of the Department's audit are included in the State of Arizona Comprehensive Annual Financial Report.

The Department also is audited by the Office of the Auditor General in conjunction with the single audit of the State of Arizona. These audit tests are conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and results of this audit are included in the State of Arizona Single Audit Reporting Package.

### Awards

- In December 1999, Arizona was awarded \$2,707,663 in High Performance Bonus funds by the federal government for the State's success in moving people from welfare to work during fiscal year 1998. Of the 46 states that competed for the bonus, Arizona placed second in the category of success in the workforce, and placed eighth in the category of most improvement in the success in the workforce rate.
- The Department's Family Builders program was named one of eight winners of the National Council of State Government's 1999 Innovations Awards. By receiving this national recognition, the Arizona Family Builders program will serve as a model for other states.
- Spirit of Excellence Award – The Spirit of Excellence awards were established in 1993 by the Governor of the State of Arizona to recognize State agencies, teams and individuals who bring quality and excellence to State of Arizona government. Nominations are evaluated by a panel representing the public and private sectors.

The Department received five team awards in the Governor's Award category and four team awards in the Recognition Award category:

### Governor's Award

- Center Against Family Violence – DCYF
- Hotline Shift Team – DCYF
- Electronic Benefits Transfer (EBT) Project – DBME
- Centralized Payment Processing Implementation Team – DCSE
- Family Assistance Administrative Management Team – DBME

### Recognition Award

- The DD PAACE Group "Working for Success" – DERS
- Family Support Pilot Project – DCYF
- Employer New Hire Reporting/Directory of New Hires – DCSE
- ADES/ADOA Extended Taxi Lease Program – DBTS

### Acknowledgments

We wish to express our sincere appreciation to the many dedicated individuals who made this report possible. A special thank you is extended to the staff of the Division of Business and Technology Services, Office of Business and Finance whose commitment and professionalism contributed to the preparation of the Fiscal Year 1999 Comprehensive Annual Financial Report.

Sincerely,

John L. Clayton

Michael Koppelman, CPA  
Deputy Director

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 1999**

John L. Clayton  
Director

Michael Koppelman  
Deputy Director  
Operations and  
Employment and Economic  
Assistance

Vacant  
Deputy Director  
Protective, Social and  
Community Services

Neal Young  
Associate Director  
Division of Business  
and  
Technology Services

Vince Wood  
Assistant Director  
Division of Benefits  
and  
Medical Eligibility

Roger A. Deshaies  
Assistant Director  
Division of  
Developmental  
Disabilities

Bob Buse  
Deputy Associate Director  
Office of Technology

Leona Hodges  
Assistant Director  
Division of Employee  
Services and Support  
Services

James A. Hart  
Assistant Director  
Division of Children,  
Youth and Families  
Services

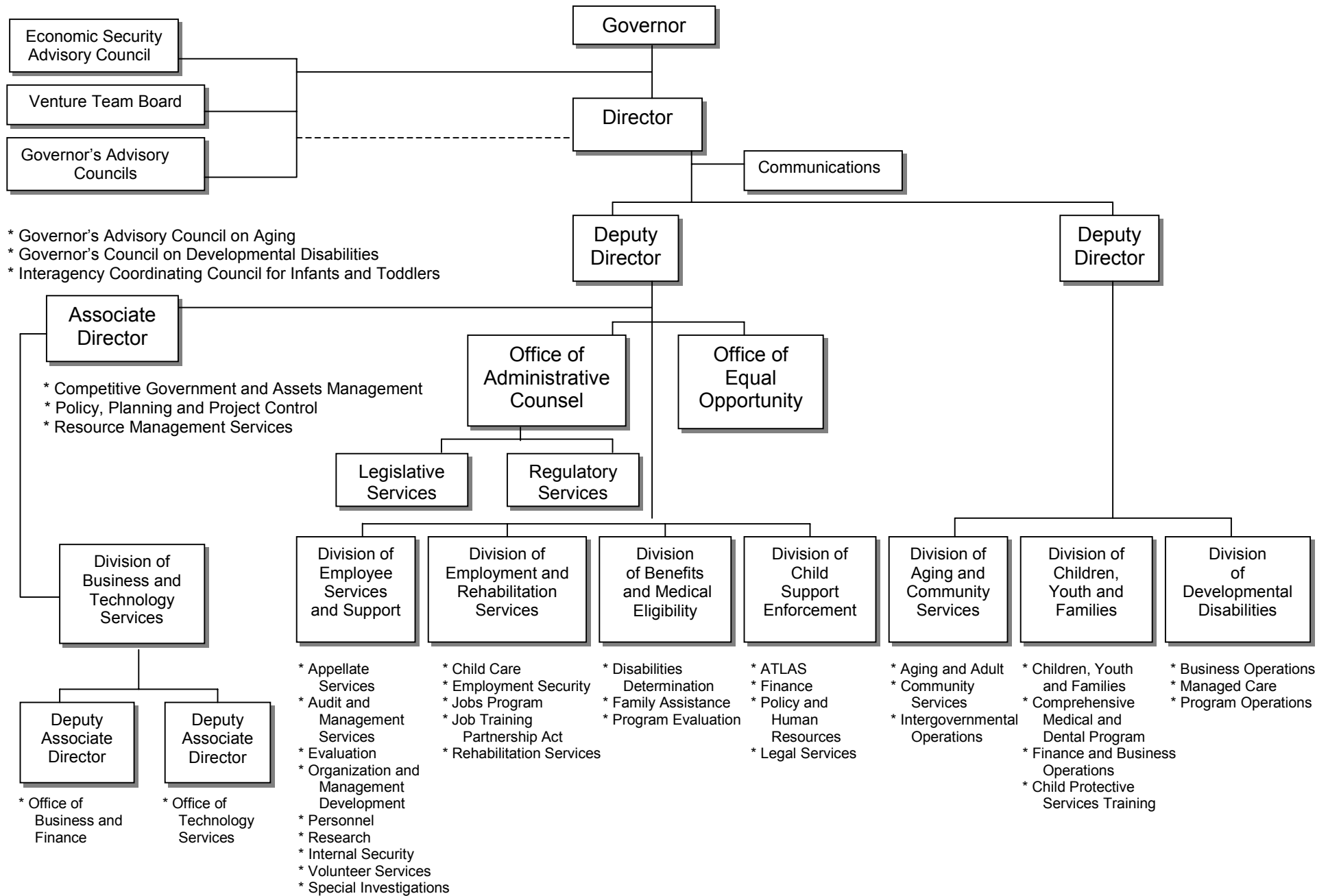
Karl S. Matzinger  
Deputy Associate Director  
Office of Business  
and Finance

Nancy Mendoza  
Assistant Director  
Division of Child  
Support Enforcement

Malena Albo  
Assistant Director  
Division of Aging and  
Community Services

Bill F. Hernandez  
Assistant Director  
Division of Employment and  
Rehabilitation Services

# ARIZONA DEPARTMENT OF ECONOMIC SECURITY ORGANIZATIONAL CHART







DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

John L. Clayton, Director  
Department of Economic Security

We have audited the accompanying financial statements of the State of Arizona, Department of Economic Security as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department of Economic Security are intended to present the financial position and results of operations and cash flows of its proprietary fund type of only those portions of the funds and account groups of the State of Arizona that are attributable to the transactions of the Department.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Economic Security as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the Department of Economic Security taken as a whole. The combining and individual fund financial statements and general fixed assets account group schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on such information.

Debbie Davenport  
Auditor General

December 28, 1999

## FINANCIAL STATEMENTS

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**June 30, 1999**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
<b>Assets and Other Debits</b>							
<b>Assets</b>							
Cash in bank	\$ 269,364			\$ 21,364,521			\$ 21,633,885
Cash and investments held by the State Treasurer	91,633,257	\$ 11,062,916	\$ 597,117	8,704,546			111,997,836
Deposits held by the U.S. Treasury				919,819,409			919,819,409
Receivables (net of allowances for uncollectibles):							
Accounts	10,635,295	683,842	507,025	3,684,701			15,510,863
Interest	84,362	12,096		48,723			145,181
Employers' unemployment insurance contributions				46,408,066			46,408,066
Due from other funds	4,386,994	202,327					4,589,321
Due from U.S. Government	49,657,045		188,407				49,845,452
Due from other state agencies	20,545,710	1,025,152	22,340				21,593,202
Inventory of food stamps	17,805,028						17,805,028
Inventory for sale			2,483,050				2,483,050
Inventory of supplies, at cost	1,267,395		49,962				1,317,357
Fixed assets:							
Land			182,041		\$ 3,565,987		3,748,028
Buildings			1,102,524		34,280,494		35,383,018
Accumulated depreciation			(547,689)				(547,689)
Improvements			1,378,422		4,199,070		5,577,492
Accumulated depreciation			(430,226)				(430,226)
Machinery and equipment			3,113,219		62,864,536		65,977,755
Accumulated depreciation			(1,966,599)				(1,966,599)
<b>Other debits</b>							
Amount to be provided for retirement of general long-term debt						\$ 18,813,713	18,813,713
<b>Total assets and other debits</b>	<b>\$ 196,284,450</b>	<b>\$ 12,986,333</b>	<b>\$ 6,679,593</b>	<b>\$ 1,000,029,966</b>	<b>\$ 104,910,087</b>	<b>\$ 18,813,713</b>	<b>\$ 1,339,704,142</b>

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total
	General	Special Revenue	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
<b>Liabilities, Equity and Other Credits</b>							
<b>Liabilities</b>							
Accounts payable	\$ 85,522,763	\$ 710,299	\$ 1,101,384				\$ 87,334,446
Notes payable			186,938				186,938
Unemployment benefits payable				\$ 3,675,540			3,675,540
Accrued liabilities				9,258,186			9,258,186
Accrued payroll and employee benefits	6,183,174	5,342	61,559				6,250,075
Compensated absences	2,176,163		127,339			\$ 13,710,028	16,013,530
Due to other funds	107,750	150,471		4,331,100			4,589,321
Due to U.S. Government	71,679						71,679
Due to other state agencies	20,062,341						20,062,341
Deposits held for others	119,363			21,059,288			21,178,651
Installment purchase contracts						5,103,685	5,103,685
Deferred revenue	46,266,738	683,842		12,412,951			59,363,531
<b>Total liabilities</b>	<b>160,509,971</b>	<b>1,549,954</b>	<b>1,477,220</b>	<b>50,737,065</b>		<b>18,813,713</b>	<b>233,087,923</b>
<b>Equity and other credits</b>							
Contributed capital			926,622				926,622
Investment in general fixed assets					\$ 104,910,087		104,910,087
Retained earnings			4,275,751				4,275,751
Fund balances:							
Reserved for inventory	1,267,395						1,267,395
Unreserved	34,507,084	11,436,379		949,292,901			995,236,364
<b>Total equity and other credits</b>	<b>35,774,479</b>	<b>11,436,379</b>	<b>5,202,373</b>	<b>949,292,901</b>	<b>104,910,087</b>		<b>1,106,616,219</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 196,284,450</b>	<b>\$ 12,986,333</b>	<b>\$ 6,679,593</b>	<b>\$ 1,000,029,966</b>	<b>\$ 104,910,087</b>	<b>\$ 18,813,713</b>	<b>\$ 1,339,704,142</b>

See Notes to Financial Statements.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**All Governmental Fund Types and Expendable Trust Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Governmental Fund Types</b>		<b>Fiduciary Fund Type</b>	<b>Total</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Expendable Trust</b>	<b>(Memorandum Only)</b>
<b>Revenues</b>				
State general fund appropriations	\$ 425,530,200			\$ 425,530,200
Grants and reimbursements	1,044,949,533		\$ 571,641	1,045,521,174
Employers' unemployment insurance contributions			191,326,704	191,326,704
Interest on investments	606,387	\$ 84,178	57,590,864	58,281,429
Interest and penalties			1,622,389	1,622,389
Fines, forfeits and penalties		1,958,082		1,958,082
Other	48,509,959	3,806,535	315,923	52,632,417
<b>Total revenues</b>	<b>1,519,596,079</b>	<b>5,848,795</b>	<b>251,427,521</b>	<b>1,776,872,395</b>
<b>Expenditures - Current</b>				
<b>Health and Welfare:</b>				
Aid to individuals	1,067,796,144	4,118,767	171,292,003	1,243,206,914
Personal services	253,092,627	197,261		253,289,888
Employee-related expenditures	59,300,487	46,349		59,346,836
Professional and outside services	29,653,275	66,623		29,719,898
Travel	8,292,338	9,748		8,302,086
Food	770,547			770,547
Capital outlay	5,497,775	280		5,498,055
Other operating	91,018,581	57,207		91,075,788
<b>Total expenditures</b>	<b>1,515,421,774</b>	<b>4,496,235</b>	<b>171,292,003</b>	<b>1,691,210,012</b>
Excess of revenues over (under) expenditures	4,174,305	1,352,560	80,135,518	85,662,383
<b>Other financing sources (uses)</b>				
Operating transfers in	1,648,443	2,234,280		3,882,723
Operating transfers out		(1,670,534)	(2,212,189)	(3,882,723)
Reversions to State general fund	(11,382,482)			(11,382,482)
<b>Total other financing sources (uses)</b>	<b>(9,734,039)</b>	<b>563,746</b>	<b>(2,212,189)</b>	<b>(11,382,482)</b>
Excess of revenues and other sources over (under) expenditures and other uses	(5,559,734)	1,916,306	77,923,329	74,279,901
<b>Fund balances, July 1, 1998</b>	<b>41,409,085</b>	<b>9,520,073</b>	<b>871,369,572</b>	<b>922,298,730</b>
Change in reserve for inventory	(74,872)			(74,872)
<b>Fund balances, June 30, 1999</b>	<b>\$ 35,774,479</b>	<b>\$ 11,436,379</b>	<b>\$ 949,292,901</b>	<b>\$ 996,503,759</b>

See Notes to Financial Statements.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Expenditures - Budget and Actual (Budget Basis) -**  
**General Fund and Other Appropriated Funds**  
**Fiscal Year Ended June 30, 1999**

	<u>Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance</u>
<b>Expenditures - Current</b>			
<b>Health and Welfare:</b>			
<b>Administration</b>			
Operations	\$ 39,782,600	\$ 39,782,600	\$ 0
FMCS modification	219,600	219,600	0
Lease-purchase equipment	4,067,500	4,067,500	0
EBT Welfare reform	294,400	294,400	0
Finger imaging	864,000	864,000	0
Public assistance collections	364,100	364,100	0
Attorney General legal services	754,200	754,200	0
Subtotal for special line items	6,563,800	6,563,800	0
Total Administration	46,346,400	46,346,400	0
<b>Developmental Disabilities</b>			
Operations	4,814,500	4,814,500	0
Case management	3,557,000	3,557,000	0
Home and community based services	24,607,200	23,723,000	884,200
Institutional services	284,900	284,900	0
State funded long-term care services	16,362,000	16,362,000	0
Arizona training program at Coolidge	5,581,500	5,581,500	0
Subtotal for special line items	50,392,600	49,508,400	884,200
Total Developmental Disabilities	55,207,100	54,322,900	884,200
<b>Long-Term Care</b>			
Operations	11,964,600	11,964,600	0
Case management	11,506,200	11,506,200	0
Home and community based services	180,153,200	180,153,200	0
Institutional services	10,359,400	10,359,400	0
Medical services	36,705,700	36,705,700	0
Arizona training program at Coolidge	10,604,700	10,604,700	0
Subtotal for special line items	249,329,200	249,329,200	0
Total Long-Term Care	261,293,800	261,293,800	0

See Notes to Financial Statements.

(Continued)

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Expenditures - Budget and Actual (Budget Basis) -**  
**General Fund and Other Appropriated Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Budget</b>	<b>Non-GAAP Actual</b>	<b>Variance</b>
<b>Benefits and Medical Eligibility</b>			
Operations	\$ 49,073,000	\$ 47,063,100	\$ 2,009,900
TANF cash benefits	125,957,200	118,117,200	7,840,000
General assistance	4,221,700	3,967,000	254,700
Outreach and naturalization	250,000	250,000	0
Arizona works agency procurement board	330,000	330,000	0
Tuberculosis control	15,600	15,600	0
Institutional support payments	288,000	288,000	0
Subtotal for special line items	131,062,500	122,967,800	8,094,700
Total Benefits and Medical Eligibility	180,135,500	170,030,900	10,104,600
<b>Child Support Enforcement</b>			
Operations	26,322,400	26,322,400	0
Phase II maintenance	1,540,000	1,540,000	0
Automation lease-purchase	23,500	23,500	0
Genetic testing	688,600	688,600	0
Central payment processing	1,948,900	1,948,900	0
County participation	8,595,000	8,595,000	0
Paternity establishment	343,500	343,500	0
Attorney General legal services	4,826,500	4,826,500	0
Subtotal for special line items	17,966,000	17,966,000	0
Total Child Support Enforcement	44,288,400	44,288,400	0

See Notes to Financial Statements.

(Continued)

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Expenditures - Budget and Actual (Budget Basis) -**  
**General Fund and Other Appropriated Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Budget</b>	<b>Non-GAAP Actual</b>	<b>Variance</b>
<b>Aging and Community Services</b>			
Operations	\$ 4,374,500	\$ 4,374,500	\$ 0
Community and emergency services	2,983,800	2,983,800	0
Coordinated homeless program	1,988,600	1,988,600	0
Information and referral	115,400	115,400	0
Coordinated hunger program	1,086,600	1,086,600	0
Adult services	9,199,700	9,199,700	0
LTC ombudsman	359,500	359,500	0
Welfare to work	3,900,000	3,900,000	0
Domestic violence prevention	3,782,900	3,782,900	0
Vulnerable adults	698,400	698,400	0
Respite care	435,000	435,000	0
Subtotal for special line items	24,549,900	24,549,900	0
Total Aging and Community Services	28,924,400	28,924,400	0
<b>Children, Youth and Families</b>			
Operations	35,734,000	35,734,000	0
Adoption services	15,345,500	15,100,500	245,000
Children services	55,083,600	54,189,400	894,200
High risk infant services	686,300	686,300	0
Intensive family services	2,435,600	2,435,600	0
Child severance project	146,500	146,500	0
Child abuse prevention	810,500	810,500	0
Comprehensive medical and dental program	2,794,900	2,794,900	0
CPS incentive pay program	240,000	240,000	0
Family builders pilot program	6,378,600	6,312,100	66,500
Preliminary protective hearings	1,012,300	1,012,300	0
CPS appeals	872,900	872,900	0
Videotaping	110,700	110,700	0
Healthy families	3,000,000	3,000,000	0
Attorney General legal services	3,732,600	3,732,600	0
TANF deposit to SSBG	22,639,800	15,225,300	7,414,500
Subtotal for special line items	115,289,800	106,669,600	8,620,200
Total Children, Youth and Families	151,023,800	142,403,600	8,620,200

See Notes to Financial Statements.

(Continued)



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Expenditures - Budget and Actual (Budget Basis) -**  
**General Fund and Other Appropriated Funds**  
**Fiscal Year Ended June 30, 1999**

	<u>Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance</u>
<b>Employment and Rehabilitation Services</b>			
Operations	\$ 15,693,200	\$ 15,568,200	\$ 125,000
JOBS	16,945,100	12,738,400	4,206,700
Job search stipends	93,900	53,900	40,000
Day care subsidy	68,251,700	68,251,700	0
Transitional child care	24,360,400	23,604,000	756,400
Vocational rehabilitation services	3,655,000	3,655,000	0
Developmental disabilities employment support	7,894,600	7,894,600	0
Independent living rehabilitation services	575,000	575,000	0
UI employer reimbursement	85,000	85,000	0
Work-related transportation	2,802,200	2,802,200	0
Welfare to work	19,325,900	1,055,300	18,270,600
Project intervention	1,000,000	1,000,000	0
Summer youth program	1,000,000	1,000,000	0
Juveniles; Jails; Summer youth	1,000,000	0	1,000,000
TANF transfers to CCDF	29,955,700	26,398,000	3,557,700
Subtotal for special line items	176,944,500	149,113,100	27,831,400
Total Employment and Rehabilitation Services	192,637,700	164,681,300	27,956,400
<b>Total General Fund and Other Appropriated Funds</b>	<u>\$ 959,857,100</u>	<u>\$ 912,291,700</u>	<u>\$ 47,565,400 (1)</u>

(1) The variance consists primarily of unexpended federal awards carried forward to future years.

See Notes to Financial Statements.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Equity - Proprietary Fund Type -**  
**Enterprise Fund**  
**Fiscal Year Ended June 30, 1999**

**Operating revenues**

Sales	\$ 11,381,371
Other	<u>361,657</u>
Total operating revenues	<u>11,743,028</u>

**Operating expenses**

Cost of goods sold	8,925,228
General and administrative	509,569
Rehabilitation and production unit	583,486
Lighting warehouse	1,443,597
Davis-Monthan Air Force Base	389,521
Luke Air Force Base	463,413
Yuma Marine Corps Air Station	231,459
Depreciation	555,416
Other	<u>88,893</u>
Total operating expenses	<u>13,190,582</u>
Operating loss	<u>(1,447,554)</u>

**Nonoperating revenues (expenses)**

Grants and administrative matching funds	1,227,545
Interest expense	<u>(18,607)</u>
Net nonoperating revenues	<u>1,208,938</u>

Net income (loss)	(238,616)
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<b>Fund equity, July 1, 1998</b>	<u>5,440,989</u>
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<b>Fund equity, June 30, 1999</b>	<u><u>\$ 5,202,373</u></u>
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See Notes to Financial Statements.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statement of Cash Flows - Proprietary Fund Type -**  
**Enterprise Fund**  
**Fiscal Year Ended June 30, 1999**

**Cash flows from operating activities**

Operating loss	\$	(1,447,554)	
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation		555,416	
Changes in assets and liabilities:			
Decrease in accounts receivable		446,941	
Increase in due from U.S. government		(188,407)	
Increase in due from other state agencies		(22,340)	
Increase in inventory for sale		(312,770)	
Increase in inventory of supplies		(6,625)	
Increase in accounts payable		101,550	
Increase in accrued payroll and employee benefits		4,294	
Increase in compensated absences		16,990	
		<u>16,990</u>	
Net cash used for operating activities	\$		(852,505)

**Cash flows from noncapital financing activities**

Grants and administrative matching funds received	<u>1,227,545</u>	
Net cash provided by noncapital financing activities		1,227,545

**Cash flows from capital and related financing activities**

Acquisition and construction of capital assets	(544,109)	
Proceeds from notes payable	150,000	
Principal paid on notes payable	(100,593)	
Interest paid on notes payable	<u>(18,607)</u>	
Net cash used for capital and related financing activities		<u>(513,309)</u>
Net decrease in cash and cash equivalents		(138,269)

<b>Cash and cash equivalents, July 1, 1998</b>	<u>735,386</u>
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<b>Cash and cash equivalents, June 30, 1999</b>	<u><u>\$ 597,117</u></u>
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See Notes to Financial Statements.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

<b>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
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The accounting policies of the Arizona Department of Economic Security (Department) conform to generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). A summary of the Department's more significant accounting policies follows.

**A. Reporting Entity**

The Department is an agency of the State of Arizona. The Director of the Department is appointed by the Governor with the advice and consent of the Arizona Senate.

For financial reporting purposes, the financial statements of the Department include an Enterprise Fund and those portions of the General Fund, Special Revenue Funds, Expendable Trust Funds, Agency Funds, General Fixed Assets Account Group and General Long-Term Debt Account Group of the State of Arizona for which the Department is financially accountable. Ultimate fiscal responsibility of the Department remains with the State of Arizona. All financial activity of the Department is recorded in the State's general purpose financial statements in the respective funds and account groups.

**B. Fund Accounting**

The Department's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Department's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures or expenses. Account groups are reporting devices to account for certain assets or liabilities of the governmental funds not recorded directly in those funds.

Accounts are separately maintained for each fund and account group; however, in the accompanying financial statements, funds that have similar characteristics have been combined into generic fund types that are further classified into broad fund categories. A description of the Department's fund categories, types and account groups follows.

- 1. Governmental Funds** account for the Department's general government activities using the flow of current financial resources measurement focus and include the following fund types.

The *General Fund* is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in other funds.

The *Special Revenue Funds* account for specific revenue sources, other than expendable trusts, that are legally restricted to expenditures for specified purposes.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

2. **Proprietary Funds** account for the Department's ongoing activities that are similar to those found in the private sector using the flow of economic resources measurement focus. The Department applies only those applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The Department's proprietary fund includes the following fund type.

The *Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Department is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. **Fiduciary Funds** account for assets held by the Department on behalf of others and include the following fund types.

The *Expendable Trust Funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus. Expendable trust funds account for assets where both the principal and interest may be spent.

The *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity.

4. **Account Groups** are used to establish control and accountability for certain Department assets and liabilities that are not recorded in the funds and include the following two groups.

The *General Fixed Assets Account Group* accounts for all fixed assets of the Department, except those accounted for in the Enterprise Fund.

The *General Long-Term Debt Account Group* accounts for all long-term obligations of the Department, except those accounted for in the Enterprise Fund.

**C. Basis of Accounting**

Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied, and determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Governmental and Fiduciary Funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

Revenues susceptible to accrual prior to receipt are State General Fund appropriations, grants and reimbursements, employers' unemployment insurance contributions and interest on investments. Interest and penalties; fines, forfeits and penalties; and other revenues are generally not susceptible to accrual because they are not measurable until received in cash.

The financial statements of the Proprietary Fund are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**D. Budgeting and Budgetary Control**

In accordance with State law, the Department prepares an annual operating budget of expenditures for those operations subject to legislative appropriation. The budget is legally enacted as appropriations after approval of the Governor and the Legislature and is prepared essentially on the same modified accrual basis of accounting used to record actual expenditures. The Department receives funding from numerous sources (e.g., state general fund, federal grants, etc.) which form the basis upon which the Department is appropriated; however, the Department also receives funding from federal and other sources that is not appropriated.

Budgetary control is maintained at the appropriation level. Expenditures may not legally exceed budgeted appropriations. The Department can only legally amend or transfer appropriations in accordance with Arizona Revised Statutes (ARS) § 35-173.C.-E. The Department Director, or designee, normally requests such a transfer through the Governor's Office of Strategic Planning and Budgeting and the Department of Administration.

Revenues are not budgeted at the agency level. Consequently, a statement of revenues, expenditures and changes in fund balance – budget and actual is not presented, but a statement of budget and actual expenditures is presented since that is the only comparison of the legally adopted budget with actual data that can be made at the agency level.

Encumbrance accounting, under which purchase orders, contracts and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budgetary control. Encumbrances outstanding at year-end for goods or services that were not received before fiscal year-end are cancelled. However, the Department of Administration – General Accounting Office is authorized to draw warrants against the available balances of appropriations for one month after the end of the fiscal year for payment of goods or services received but unpaid at the close of the fiscal year. Although, if a claim from the prior year is presented within one year and sufficient prior-year unexpended appropriations remain to pay the claim, the Department of Administration, upon approval of the claim, shall draw a warrant

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

in payment of the claim, and the warrant shall be paid out of the fund from which the unused appropriations originated.

**E. Cash Equivalents**

For purposes of the statement of cash flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**F. Inventories**

*Inventory of food stamps* consists of all food stamp coupons held by the Department at fiscal year-end. This inventory is stated at coupon face value and is offset by deferred revenue in the General Fund.

*Inventories for sale* consist of raw materials, work in process and finished goods of the Enterprise Fund. Such inventories are recorded as assets when purchased and expensed when sold. Raw materials are stated at cost using the first-in, first-out or specific identification method. Work in process is stated at cost using the percentage of completion method, and finished goods are stated at cost using the job order costing method.

*Inventories of supplies* of the Governmental Funds are recorded at the time of purchase as expenditures in the funds from which the purchases were made. The Department uses the "purchase method" where amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve. These inventories are stated at cost using the first-in, first-out method.

Supplies inventories of the Enterprise Fund are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the specific identification method.

**G. Fixed Assets**

Purchased fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Such assets are capitalized at cost, or estimated cost if historical records are not available. Donated fixed assets are capitalized at their estimated fair market value at the time received. Depreciation on general fixed assets is not recorded.

Purchased fixed assets of the Enterprise Fund are capitalized at cost. Donated fixed assets are capitalized at their estimated fair market value at the time received. Depreciation of fixed assets in the Enterprise Fund is charged as an expense against operations.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

These assets are depreciated over their estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	10-40 years
Improvements	10 years
Machinery and equipment	3-10 years

**H. Compensated Absences**

Compensated absences consist of vacation leave earned by employees based on services already rendered. The amount of leave Department employees earn is based on their length of employment with the State of Arizona. This leave vests with the employee. The current portion of the liability that will be liquidated with available expendable financial resources of the General Fund has been accrued in that fund. Included in the accrual are anticipated salary-related benefits payments associated with the accrued leave.

The current portion of the liability for the Special Revenue Funds is not significant and, therefore, has not been accrued in those funds. However, that amount and the remaining noncurrent portion of the liability related to governmental funds are recorded in the General Long-Term Debt Account Group. Vested compensated absences of the Enterprise Fund are recorded as an expense and a liability of that fund as the benefits accrue to employees.

**I. Deferred Revenue**

The amounts reported as deferred revenue are receivables, due from U.S. Government and due from other state agencies that are not available to finance expenditures of the current period and food stamp coupons on hand at June 30, 1999.

**J. Grants and Reimbursements**

Grants and assistance awards made on the basis of entitlement periods are recorded as due from U.S. Government and revenue when the entitlement occurs.

Reimbursement grants are recorded as due from U.S. Government and revenue when the related expenditures are incurred and the monies become available. Food stamp benefits and Temporary Assistance for Needy Families cash assistance benefits are recorded as revenue when the benefits are distributed. When these benefits are distributed electronically, distribution takes place when the recipients use the benefits.

**K. Memorandum Only**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with GAAP and are not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

**NOTE 2 – CASH IN BANK**

ARS stipulate that collateral is required for demand deposits, certificates of deposit and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. At June 30, 1999, the carrying amount of the Department's total cash in bank was \$21,633,885 and the bank balance was \$29,740,228. The bank balance was covered by federal depository insurance or collateralized by securities held by the bank's trust division or agent in the State's name in book-entry form.

**NOTE 3 – CASH AND INVESTMENTS HELD BY THE STATE TREASURER**

Cash of the various funds on deposit with the State Treasurer is pooled and invested. Interest earned from investments purchased with such pooled monies is generally deposited in the State General Fund. However, if authorized by statute and requested by the depositor, the Treasurer will invest the monies in a separate pool. The Department separately invested monies with the State Treasurer for the Homeless Trust and the Spinal and Head Injuries Special Revenue Funds; the Mesa Land Fund of the Expendable Trust Funds; and certain General and Enterprise Fund accounts. Interest earned from these separately pooled monies is allocated monthly to the participating funds of the Department based on their average daily balances. The fair value of the Department's position in the pool approximates the stated value of the Department's pool shares.

**NOTE 4 – DEPOSITS HELD BY THE U.S. TREASURY**

ARS § 23-703 requires that unemployment insurance contributions from Arizona employers be deposited in an unemployment trust fund account with the Secretary of the Treasury of the United States that is established and maintained pursuant to § 1104 of the Social Security Act. Interest earned on these monies is deposited in the Department's Unemployment Insurance Benefits Fund.

**NOTE 5 – RECEIVABLES**

Receivables at year end, including the applicable allowances for uncollectible accounts, were as follows:

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

	General Fund	Special Revenue Funds	Enterprise Fund	Expendable Trust Funds	Agency Funds
Accounts receivable	\$ 32,658,080	\$ 4,189,144	\$ 507,025	\$ 22,230,952	
Interest receivable	84,362	12,096		21,527	\$ 27,196
Employers' UI contributions receivable				68,743,173	
Less allowances for uncollectibles	(22,022,785)	(3,505,302)		(40,881,358)	
Net total	<u>\$ 10,719,657</u>	<u>\$ 695,938</u>	<u>\$ 507,025</u>	<u>\$ 50,114,294</u>	<u>\$ 27,196</u>

**NOTE 6 – DUE FROM/TO OTHER FUNDS**

A summary of amounts due from other funds and due to other funds at June 30, 1999, follows.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 4,386,994	\$ 107,750
Special Revenue Funds:		
Public Assistance Collections	18,479	
Homeless Trust		4,598
Spinal and Head Injuries		62,663
Neighbors Helping Neighbors	509	
Special Administration	181,472	34,365
Child Protective Services Training		48,624
Capital Investment		221
Utility Assistance	1,867	
Agency Funds:		
Child Support Enforcement		4,146,546
Expendable Trust Funds:		
Unemployment Insurance Benefits		184,554
Total	<u>\$ 4,589,321</u>	<u>\$ 4,589,321</u>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

**NOTE 7 – CHANGES IN GENERAL FIXED ASSETS**

A summary of the changes in general fixed assets follows.

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$ 9,055,987		\$ 5,490,000	\$ 3,565,987
Buildings	34,061,491	\$ 295,722	76,719	34,280,494
Improvements	4,049,018	150,052		4,199,070
Machinery and equipment	59,330,175	5,988,874	2,454,513	62,864,536
Total	<u>\$ 106,496,671</u>	<u>\$ 6,434,648</u>	<u>\$ 8,021,232</u>	<u>\$ 104,910,087</u>

**NOTE 8 – INSTALLMENT PURCHASE CONTRACTS AND LEASE COMMITMENTS**

*Installment Purchase Contracts* – The Department has acquired computer equipment, telephone equipment, copiers and other office equipment under the provisions of various long-term installment purchase contracts. Title passes to the Department at the inception of the contract. Accordingly, assets acquired that meet the Department's capitalization policy are capitalized in the General Fixed Assets Account Group. The obligation for these contracts is recorded in the General Long-Term Debt Account Group. The future minimum payments under the contracts including interest, together with the present value of the net minimum contract payments at June 30, 1999, were as follows:

Year ending June 30,		
	2000	\$ 3,732,598
	2001	1,205,153
	2002	345,339
	2003	87,443
Net minimum contract payments		5,370,533
Less amount representing interest		(266,848)
Present value of net minimum contract payments		<u>\$ 5,103,685</u>

A summary of the changes in installment purchase contracts follows.

Balance at July 1, 1998	\$ 9,024,994
Current-year decrease	(3,921,309)
Balance at June 30, 1999	<u>\$ 5,103,685</u>

*Operating Leases* – The Department leases land and buildings under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$20,136,118 for the year ended June 30, 1999. The operating leases have remaining noncancelable lease terms of from one to nine years and provide renewal options. The future minimum rental payments required under the operating leases at June 30, 1999, were as follows:

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

Year ending June 30,	2000	\$	17,670,267
	2001		13,030,541
	2002		8,733,130
	2003		5,096,641
	2004		2,205,373
	Thereafter		100,782
Total minimum payments required		\$	<u>46,836,734</u>

**NOTE 9 – COMPENSATED ABSENCES**

The following is a summary of changes in compensated absences recorded in the General Long-Term Debt Account Group.

Balance at July 1, 1998	\$	12,780,950
Leave earned		17,677,687
Leave taken		(16,748,609)
Balance at June 30, 1999	\$	<u>13,710,028</u>

**NOTE 10 – ENTERPRISE FUND**

The Enterprise Fund consists solely of Arizona Industries for the Blind (AIB). Segment information is not presented since the Enterprise Fund columns on the financial statements report the activities and balances of AIB exclusively.

**NOTE 11 – RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is a participant in the State's self-insurance program, and in the opinion of Department management, any unfavorable outcomes from these claims and actions would be covered by the self-insurance program. Accordingly, the Department has no risk of loss beyond adjustments to future years' premium payments to the State's self-insurance program. All estimated losses for unsettled claims and actions of the State are determined on an actuarial basis and are included in the State of Arizona Comprehensive Annual Financial Report.

The Department carries additional insurance for other risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

Federal grants administered by the Department are subject to review and audit. In the opinion of the Department, any adjustments or repayments which may be required would not be significant to the overall financial condition of the Department. The State of Arizona has the ultimate fiscal responsibility for the Department. Accordingly, any claims requiring additional material resources would require the Arizona State Legislature to appropriate funds.

**NOTE 13 – BUDGET AND ACTUAL EXPENDITURES RECONCILIATION**

For financial reporting purposes, the accompanying financial statements present the legally adopted budget for those operations of the Department subject to legislative appropriations in order to provide a meaningful comparison of actual results with the budget. The Department's budget is prepared on a basis consistent with GAAP for those operations budgeted, with certain exceptions. The budget is prepared by division within the Department, and budgeted amounts are not aggregated at the fund level. Adjustments necessary to reconcile expenditures on the GAAP basis to the budgetary basis follow:

Total expenditures reported in the General and Special Revenue Funds - GAAP basis of accounting:	\$ 1,519,918,009
Adjustments:	
Basis differences -	
To adjust for appropriation transfers recognized as expenditures for budgetary reporting purposes	41,623,300
Timing differences -	
To adjust for budget year 1998 administrative adjustments of legislative appropriations eliminated for budgetary reporting purposes	(4,979,744)
To adjust for budget year 1999 administrative adjustments of legislative appropriations recognized as expenditures for budgetary reporting purposes	25,747,300
Entity difference -	
To adjust for expenditures from nonappropriated sources	(670,017,165)
Total expenditures reported in the Statement of Expenditures - Budget and Actual (Budget Basis) - General Fund and Other Appropriated Funds	<u><u>\$ 912,291,700</u></u>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Notes to Financial Statements**  
**June 30, 1999**

**NOTE 14 – RELATED PARTY TRANSACTIONS**

The Department is a contractor with the Arizona Health Care Cost Containment System (AHCCCS) to provide health care services to eligible enrollees of the AHCCCS Arizona Long-Term Care System and the Comprehensive Medical and Dental Program. In addition, the Department contracts with AHCCCS to perform eligibility determinations for certain categorical members of the AHCCCS program. During the year ended June 30, 1999, the Department recognized revenues from these contracts totaling \$219,588,189 that were reported in the General Fund as grants and reimbursements revenues. In addition, state matching funds for the Long Term Care, Title XIX Program, were appropriated through the Department to AHCCCS. These appropriated monies totaling \$91,703,028 were included in capitated payments to the Department from AHCCCS during the fiscal year and were reported as State General Fund appropriations revenue. Additional related party transactions, insignificant in amount, resulting from providing services to or receiving services from other State agencies were included in various revenues and expenditures in the financial statements.

**NOTE 15 – RETIREMENT PLAN**

*Plan Description* – The Department contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

*Funding Policy* – The Arizona State Legislature establishes and may amend active plan members' and the Department's contribution rate. For the year ended June 30, 1999, active plan members and the Department were each required by statute to contribute at the actuarially determined rate of 3.34 percent (2.85 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The Department's contributions to the System for the years ended June 30, 1999, 1998 and 1997 were \$6,044,109, \$6,159,579, and \$6,042,526, respectively, which were equal to the required contributions for those years.

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS  
AND  
GENERAL FIXED ASSETS  
ACCOUNT GROUP SCHEDULES

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Special Revenue Funds**  
**Combining Statements**  
**Fiscal Year Ended June 30, 1999**

Tobacco Tax—This fund consists of monies transferred by the Arizona Health Care Cost Containment System from the medically needy account of the tobacco tax and health care fund to the Department's Aging and Adult Administration (AAA) as required by Arizona Revised Statutes (ARS) § 36-2921. All expenditures of the fund must be for services to older Arizonans who meet the low-income eligibility criteria developed by AAA and in accordance with ARS § 46-192.

Public Assistance Collections—This fund receives monies from a portion of the collections of public assistance overpayments. ARS § 46-295 requires that 25 percent of the State share of collected overpayments for the Temporary Assistance for Needy Families, Foster Care and General Assistance programs be deposited into this fund. These monies are then restricted to use in enhancing the collection efforts of the Department.

Domestic Violence Shelter—This fund was established by ARS § 36-3002. This fund is supported by State income tax checkoff, and by marriage and divorce fees. Expenditures of the fund provide shelter and supportive services to victims of domestic violence and their families through a statewide network of private nonprofit shelter facilities and safe houses.

Homeless Trust—This fund was established by ARS § 41-2021. The fund's revenues consist of monies from unclaimed property and public donations. The fund has a maximum allowable balance of \$1,000,000. Expenditures of the fund are for homeless shelter and supportive services.

Spinal and Head Injuries—This fund was established by ARS § 41-3203. The fund's revenues are from assessments on speeding violations pursuant to ARS § 12-116.02. Expenditures from this fund are for rehabilitation, transitional living and equipment for necessary activities of daily living for disabled individuals with head or spinal injuries.

Neighbors Helping Neighbors—This fund was established by ARS § 46-741. Taxpayers may voluntarily contribute a portion of their State tax refunds to this fund. The fund provides eligible recipients with assistance in paying utility bills, conserving energy and weatherization costs.

Child Abuse Prevention—This fund is authorized by ARS § 8-550.01. The revenues in this fund are from contributions through a State income tax checkoff, surcharges on marriage licenses and divorce filings, and private donations. Expenditures of the fund are for financial assistance to community child abuse and neglect prevention programs and family resource programs that offer prevention services and family resources programs to children and their parents or guardians.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Special Revenue Funds**  
**Combining Statements**  
**Fiscal Year Ended June 30, 1999**

Special Administration—This fund consists of interest and penalties collected from employers who fail to make timely contributions to the unemployment insurance program. It was established by the Employment Security Act of Arizona, ARS § 23-705. All expenditures of the fund must be in accordance with ARS § 23-706 and be approved by the Department of Administration.

Special Olympics—This fund was established by ARS § 41-173. The revenues in this fund are from contributions through a State income tax checkoff and other private gifts and grants. Expenditures are restricted to contracts with not-for-profit entities for the delivery of services essential to programs of the Arizona Special Olympics.

Child Protective Service (CPS) Training—This fund is authorized by ARS § 8-503.01. The fund receives monies from a percentage of the collections of court-ordered parental assessments and assessments on a child or the child's estate of a child in custody of the Department or a county juvenile probation office. The funds are typically expended for the purpose of training public and private child protective service workers.

Child Passenger Restraint—This fund was established under ARS § 28-907.I. The revenues in this fund are from fines levied against persons violating the child passenger restraint requirements and any public donations for the child passenger restraint program. All expenditures from this fund are solely for the purchase of child passenger restraint systems that must be provided to hospitals, public or private agencies providing shelter services to victims of domestic violence or homeless families, or health clinics.

Capital Investment—This fund was established under ARS § 4-116. The fund receives revenues from liquor club licenses and applications. The expenditures from this fund are for the purchase of buildings, equipment or other capital investments by the Division of Developmental Disabilities.

Utility Assistance—This fund is authorized by ARS § 46-731. The revenues in this fund are subscribers' utility deposits that remain unclaimed after two years, plus any interest accrued on the deposits less any lawful deduction ordered to be refunded by a court or administrative agency. These revenues are to be used to assist eligible recipients for the purpose of making utility deposits and owner repairs to utility related appliances or systems. All disbursements from the fund must be to designated community action or other agencies currently providing energy assistance to eligible recipients.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Balance Sheet -**  
**Special Revenue Funds**  
**June 30, 1999**

	<b>Tobacco Tax</b>	<b>Public Assistance Collections</b>	<b>Domestic Violence Shelter</b>	<b>Homeless Trust</b>	<b>Spinal and Head Injuries</b>	<b>Neighbors Helping Neighbors</b>
<b>Assets</b>						
Cash and investments held by the State Treasurer	\$ 185,008	\$ 867,407	\$ 1,037,974	\$ 864,475	\$ 2,860,181	\$ 72,121
Receivables (net of allowances for uncollectibles):						
Accounts		532,058				
Interest				3,453	8,643	
Due from other funds		18,479				509
Due from other state agencies					197,190	
<b>Total assets</b>	<u>\$ 185,008</u>	<u>\$ 1,417,944</u>	<u>\$ 1,037,974</u>	<u>\$ 867,928</u>	<u>\$ 3,066,014</u>	<u>\$ 72,630</u>
<b>Liabilities and Equity</b>						
<b>Liabilities</b>						
Accounts payable	\$ 133,414	\$ 1,222		\$ 5,228	\$ 133,434	\$ 20,823
Accrued payroll and employee benefits		598			4,744	
Due to other funds				4,598	62,663	
Deferred revenue		532,058				
<b>Total liabilities</b>	<u>133,414</u>	<u>533,878</u>		<u>9,826</u>	<u>200,841</u>	<u>20,823</u>
<b>Equity</b>						
Fund balances:						
Unreserved	51,594	884,066	\$ 1,037,974	858,102	2,865,173	51,807
<b>Total equity</b>	<u>51,594</u>	<u>884,066</u>	<u>1,037,974</u>	<u>858,102</u>	<u>2,865,173</u>	<u>51,807</u>
<b>Total liabilities and equity</b>	<u>\$ 185,008</u>	<u>\$ 1,417,944</u>	<u>\$ 1,037,974</u>	<u>\$ 867,928</u>	<u>\$ 3,066,014</u>	<u>\$ 72,630</u>

<u>Child Abuse Prevention</u>	<u>Special Administration</u>	<u>Special Olympics</u>	<u>CPS Training</u>	<u>Child Passenger Restraint</u>	<u>Capital Investment</u>	<u>Utility Assistance</u>	<u>Total</u>
\$ 1,456,699	\$ 2,711,974	\$ 4	\$ 436,050	\$ 74,782	\$ 213,769	\$ 282,472	\$ 11,062,916
			151,784				683,842
	181,472					1,867	12,096
				2,230	7,350	818,382	202,327
<u>\$ 1,456,699</u>	<u>\$ 2,893,446</u>	<u>\$ 4</u>	<u>\$ 587,834</u>	<u>\$ 77,012</u>	<u>\$ 221,119</u>	<u>\$ 1,102,721</u>	<u>\$ 12,986,333</u>
\$ 334,768	\$ 7,344		\$ 1,722	\$ 9,273		\$ 63,071	\$ 710,299
	34,365		48,624		\$ 221		5,342
			151,784				150,471
							683,842
<u>334,768</u>	<u>41,709</u>		<u>202,130</u>	<u>9,273</u>	<u>221</u>	<u>63,071</u>	<u>1,549,954</u>
<u>1,121,931</u>	<u>2,851,737</u>	<u>\$ 4</u>	<u>385,704</u>	<u>67,739</u>	<u>220,898</u>	<u>1,039,650</u>	<u>11,436,379</u>
<u>1,121,931</u>	<u>2,851,737</u>	<u>4</u>	<u>385,704</u>	<u>67,739</u>	<u>220,898</u>	<u>1,039,650</u>	<u>11,436,379</u>
<u>\$ 1,456,699</u>	<u>\$ 2,893,446</u>	<u>\$ 4</u>	<u>\$ 587,834</u>	<u>\$ 77,012</u>	<u>\$ 221,119</u>	<u>\$ 1,102,721</u>	<u>\$ 12,986,333</u>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Special Revenue Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Tobacco Tax</b>	<b>Public Assistance Collections</b>	<b>Domestic Violence Shelter</b>	<b>Homeless Trust</b>	<b>Spinal and Head Injuries</b>	<b>Neighbors Helping Neighbors</b>
<b>Revenues</b>						
Interest on investments				\$ 45,863	\$ 38,315	
Fines, forfeits and penalties					1,794,440	
Other:						
Fees and surcharges			\$ 1,457,594			
Use tax	\$ 500,000					
Unclaimed property						
Court-ordered assessments						
Licenses and applications						
Donations			137,533			\$ 32,375
<b>Total revenues</b>	<b>500,000</b>		<b>1,595,127</b>	<b>45,863</b>	<b>1,832,755</b>	<b>32,375</b>
<b>Expenditures - Current</b>						
<b>Health and Welfare:</b>						
Aid to individuals	498,199		1,294,931	13,988	918,123	44,846
Personal services		\$ 25,475			166,939	
Employee-related expenditures		5,782			40,567	
Professional and outside services		13,852			3,254	
Travel					6,785	
Capital outlay						
Other operating		2,808			50,115	
<b>Total expenditures</b>	<b>498,199</b>	<b>47,917</b>	<b>1,294,931</b>	<b>13,988</b>	<b>1,185,783</b>	<b>44,846</b>
Excess of revenues over (under) expenditures	1,801	(47,917)	300,196	31,875	646,972	(12,471)
<b>Other financing sources (uses)</b>						
Operating transfers in		396,227			127	509
Operating transfers out		(250,944)		(32,864)	(165,691)	(271)
<b>Total other financing sources (uses)</b>		<b>145,283</b>		<b>(32,864)</b>	<b>(165,564)</b>	<b>238</b>
Excess of revenues and other sources over (under) expenditures and other uses	1,801	97,366	300,196	(989)	481,408	(12,233)
<b>Fund balances, July 1, 1998</b>	<b>49,793</b>	<b>786,700</b>	<b>737,778</b>	<b>859,091</b>	<b>2,383,765</b>	<b>64,040</b>
<b>Fund balances, June 30, 1999</b>	<b>\$ 51,594</b>	<b>\$ 884,066</b>	<b>\$ 1,037,974</b>	<b>\$ 858,102</b>	<b>\$ 2,865,173</b>	<b>\$ 51,807</b>

<u>Child Abuse Prevention</u>	<u>Special Administration</u>	<u>Special Olympics</u>	<u>CPS Training</u>	<u>Child Passenger Restraint</u>	<u>Capital Investment</u>	<u>Utility Assistance</u>	<u>Total</u>
				\$ 163,642			\$ 84,178
							1,958,082
\$ 492,760							1,950,354
							500,000
						\$ 818,382	818,382
			\$ 1,477				1,477
					\$ 48,200		48,200
<u>232,836</u>		<u>\$ 85,378</u>					<u>488,122</u>
<u>725,596</u>		<u>85,378</u>	<u>1,477</u>	<u>163,642</u>	<u>48,200</u>	<u>818,382</u>	<u>5,848,795</u>
475,253	\$ 68,462	85,378		152,355		567,232	4,118,767
4,847							197,261
							46,349
120			49,397				66,623
			2,963				9,748
			280				280
40			4,244				57,207
<u>480,260</u>	<u>68,462</u>	<u>85,378</u>	<u>56,884</u>	<u>152,355</u>		<u>567,232</u>	<u>4,496,235</u>
<u>245,336</u>	<u>(68,462)</u>	<u>0</u>	<u>(55,407)</u>	<u>11,287</u>	<u>48,200</u>	<u>251,150</u>	<u>1,352,560</u>
5,008	1,622,389		150,738		57,415	1,867	2,234,280
	(1,120,150)		(64,397)		(221)	(35,996)	(1,670,534)
<u>5,008</u>	<u>502,239</u>		<u>86,341</u>		<u>57,194</u>	<u>(34,129)</u>	<u>563,746</u>
250,344	433,777	0	30,934	11,287	105,394	217,021	1,916,306
<u>871,587</u>	<u>2,417,960</u>	<u>4</u>	<u>354,770</u>	<u>56,452</u>	<u>115,504</u>	<u>822,629</u>	<u>9,520,073</u>
<u>\$ 1,121,931</u>	<u>\$ 2,851,737</u>	<u>\$ 4</u>	<u>\$ 385,704</u>	<u>\$ 67,739</u>	<u>\$ 220,898</u>	<u>\$ 1,039,650</u>	<u>\$ 11,436,379</u>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Trust and Agency Funds**  
**Combining Statements**  
**Fiscal Year Ended June 30, 1999**

The Trust and Agency Funds account for assets held by the Department in a trustee or agency capacity for individuals, organizations, other governments or other funds.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Balance Sheet -**  
**Trust and Agency Funds**  
**June 30, 1999**

	<b>Fiduciary Funds</b>		
	<b>Expendable Trust</b>	<b>Agency</b>	<b>Total</b>
<b>Assets</b>			
Cash in bank	\$ 6,022	\$ 21,358,499	\$ 21,364,521
Cash and investments held by the State Treasurer	4,884,407	3,820,139	8,704,546
Deposits held by the U.S. Treasury	919,819,409		919,819,409
Receivables (net of allowances for uncollectibles):			
Accounts	3,684,701		3,684,701
Interest	21,527	27,196	48,723
Employers' unemployment insurance contributions	46,408,066		46,408,066
<b>Total assets</b>	<b>\$ 974,824,132</b>	<b>\$ 25,205,834</b>	<b>\$ 1,000,029,966</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Unemployment benefits payable	\$ 3,675,540		\$ 3,675,540
Accrued liabilities	9,258,186		9,258,186
Due to other funds	184,554	\$ 4,146,546	4,331,100
Deposits held for others		21,059,288	21,059,288
Deferred revenue	12,412,951		12,412,951
<b>Total liabilities</b>	<b>25,531,231</b>	<b>25,205,834</b>	<b>50,737,065</b>
<b>Equity</b>			
Fund balances:			
Unreserved	949,292,901		949,292,901
<b>Total equity</b>	<b>949,292,901</b>		<b>949,292,901</b>
<b>Total liabilities and equity</b>	<b>\$ 974,824,132</b>	<b>\$ 25,205,834</b>	<b>\$ 1,000,029,966</b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Expendable Trust Funds**  
**Combining Statements**  
**Fiscal Year Ended June 30, 1999**

Mesa Land—This fund was established when an individual willed land to the State of Arizona with the restriction that the earnings on the land be used to offset costs of care for individuals with developmental disabilities. The land was subsequently sold and the proceeds invested. Interest earnings on the investments are used for the designated purpose.

Unemployment Insurance Benefits—This fund is authorized by Arizona Revised Statutes § 23-701. The revenues of this fund are employers' unemployment insurance contributions and transfers from the federal government for various unemployment programs. Expenditures are made for the express purpose of providing unemployment benefits to the eligible claimants.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Balance Sheet -**  
**Expendable Trust Funds**  
**June 30, 1999**

	<b>Mesa Land</b>	<b>Unemployment Insurance Benefits</b>	<b>Total</b>
<b>Assets</b>			
Cash in bank		\$ 6,022	\$ 6,022
Cash and investments held by the State Treasurer	\$ 4,884,407		4,884,407
Deposits held by the U.S. Treasury		919,819,409	919,819,409
Receivables (net of allowances for uncollectibles):			
Accounts		3,684,701	3,684,701
Interest	21,527		21,527
Employers' unemployment insurance contributions		46,408,066	46,408,066
<b>Total assets</b>	<b>\$ 4,905,934</b>	<b>\$ 969,918,198</b>	<b>\$ 974,824,132</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Unemployment benefits payable		\$ 3,675,540	\$ 3,675,540
Accrued liabilities		9,258,186	9,258,186
Due to other funds		184,554	184,554
Deferred revenue		12,412,951	12,412,951
<b>Total liabilities</b>		<b>25,531,231</b>	<b>25,531,231</b>
<b>Equity</b>			
Fund balances:			
Unreserved	\$ 4,905,934	944,386,967	949,292,901
<b>Total equity</b>	<b>4,905,934</b>	<b>944,386,967</b>	<b>949,292,901</b>
<b>Total liabilities and equity</b>	<b>\$ 4,905,934</b>	<b>\$ 969,918,198</b>	<b>\$ 974,824,132</b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Expendable Trust Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Mesa Land</b>	<b>Unemployment Insurance Benefits</b>	<b>Total</b>
<b>Revenues</b>			
Grants and reimbursements		\$ 571,641	\$ 571,641
Employers' unemployment insurance contributions		191,326,704	191,326,704
Interest on investments	\$ 271,804	57,319,060	57,590,864
Interest and penalties		1,622,389	1,622,389
Other		315,923	315,923
<b>Total revenues</b>	<b>271,804</b>	<b>251,155,717</b>	<b>251,427,521</b>
<b>Expenditures - Current</b>			
<b>Health and Welfare:</b>			
Aid to individuals		171,292,003	171,292,003
<b>Total expenditures</b>		<b>171,292,003</b>	<b>171,292,003</b>
Excess of revenues over (under) expenditures	271,804	79,863,714	80,135,518
<b>Other financing sources (uses)</b>			
Operating transfers out	(553,821)	(1,658,368)	(2,212,189)
<b>Total other financing sources (uses)</b>	<b>(553,821)</b>	<b>(1,658,368)</b>	<b>(2,212,189)</b>
Excess of revenues over (under) expenditures and other uses	(282,017)	78,205,346	77,923,329
<b>Fund balances, July 1, 1998</b>	<b>5,187,951</b>	<b>866,181,621</b>	<b>871,369,572</b>
<b>Fund balances, June 30, 1999</b>	<b>\$ 4,905,934</b>	<b>\$ 944,386,967</b>	<b>\$ 949,292,901</b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Agency Funds**  
**Combining Statements**  
**Fiscal Year Ended June 30, 1999**

Client Trust—This fund was established pursuant to Arizona Revised Statutes (ARS) § 41-1954 and contains monies from clients' eligibility for assistance, including Social Security, Supplemental Security Income, Veteran's Assistance, Railroad Retirement benefits, etc. These monies received on behalf of clients are disbursed based on individual spending plans or for reimbursement of services provided by the Division of Developmental Disabilities and for foster care and adoption services provided by the Administration for Children, Youth and Families.

Developmental Disabilities (DD) Client Investment—This fund was established by ARS § 36-571 and consists of client monies, such as Social Security, Supplemental Security Income, earnings, etc. These monies are used for individual client needs, such as clothing, food, education, etc. Idle monies from this fund are invested with the State Treasurer, with interest earned distributed to individual client account balances.

Child Support Enforcement—This fund was established by ARS § 46-441 and is a clearing account that contains child support monies collected from noncustodial parents on behalf of their children. The collected amounts remain in this fund until appropriate distributions are determined and disbursement is made to the appropriate parties.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Balance Sheet -**  
**Agency Funds**  
**June 30, 1999**

	<u>Client Trust</u>	<u>DD Client Investment</u>	<u>Child Support Enforcement</u>	<u>Total</u>
<b>Assets</b>				
Cash in bank		\$ 445,796	\$ 20,912,703	\$ 21,358,499
Cash and investments held by the State Treasurer	\$ 1,615,909	2,204,230		3,820,139
Interest receivable		27,196		27,196
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total assets</b>	<u>\$ 1,615,909</u>	<u>\$ 2,677,222</u>	<u>\$ 20,912,703</u>	<u>\$ 25,205,834</u>
<b>Liabilities</b>				
Due to other funds			\$ 4,146,546	\$ 4,146,546
Deposits held for others	\$ 1,615,909	\$ 2,677,222	16,766,157	21,059,288
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total liabilities</b>	<u>\$ 1,615,909</u>	<u>\$ 2,677,222</u>	<u>\$ 20,912,703</u>	<u>\$ 25,205,834</u>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Combining Statement of Changes in Assets and Liabilities - Agency Funds**  
**Fiscal Year Ended June 30, 1999**

	<b>Balance July 1, 1998</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 1999</b>
<b><u>Client Trust</u></b>				
<b>Assets</b>				
Cash and investments held by the State Treasurer	\$ 1,164,057	\$ 2,528,370	\$ 2,076,518	\$ 1,615,909
<b>Liabilities</b>				
Deposits held for others	\$ 1,164,057	\$ 2,528,370	\$ 2,076,518	\$ 1,615,909
<b><u>DD Client Investment</u></b>				
<b>Assets</b>				
Cash in bank	\$ 612,260	\$ 9,596,267	\$ 9,762,731	\$ 445,796
Cash and investments held by the State Treasurer	1,954,230	362,270	112,270	2,204,230
Interest receivable	19,907	27,196	19,907	27,196
<b>Total assets</b>	<b>\$ 2,586,397</b>	<b>\$ 9,985,733</b>	<b>\$ 9,894,908</b>	<b>\$ 2,677,222</b>
<b>Liabilities</b>				
Deposits held for others	\$ 2,586,397	\$ 9,985,733	\$ 9,894,908	\$ 2,677,222
<b>Total liabilities</b>	<b>\$ 2,586,397</b>	<b>\$ 9,985,733</b>	<b>\$ 9,894,908</b>	<b>\$ 2,677,222</b>
<b><u>Child Support Enforcement</u></b>				
<b>Assets</b>				
Cash in bank	\$ 7,963,579	\$ 338,965,915	\$ 326,016,791	\$ 20,912,703
<b>Total assets</b>	<b>\$ 7,963,579</b>	<b>\$ 338,965,915</b>	<b>\$ 326,016,791</b>	<b>\$ 20,912,703</b>
<b>Liabilities</b>				
Due to other funds	\$ 1,688,649	\$ 22,320,597	\$ 19,862,700	\$ 4,146,546
Deposits held for others	6,274,930	316,645,318	306,154,091	16,766,157
<b>Total liabilities</b>	<b>\$ 7,963,579</b>	<b>\$ 338,965,915</b>	<b>\$ 326,016,791</b>	<b>\$ 20,912,703</b>
<b><u>Total - All Agency Funds</u></b>				
<b>Assets</b>				
Cash in bank	\$ 8,575,839	\$ 348,562,182	\$ 335,779,522	\$ 21,358,499
Cash and investments held by the State Treasurer	3,118,287	2,890,640	2,188,788	3,820,139
Interest receivable	19,907	27,196	19,907	27,196
<b>Total assets</b>	<b>\$ 11,714,033</b>	<b>\$ 351,480,018</b>	<b>\$ 337,988,217</b>	<b>\$ 25,205,834</b>
<b>Liabilities</b>				
Due to other funds	\$ 1,688,649	\$ 22,320,597	\$ 19,862,700	\$ 4,146,546
Deposits held for others	10,025,384	329,159,421	318,125,517	21,059,288
<b>Total liabilities</b>	<b>\$ 11,714,033</b>	<b>\$ 351,480,018</b>	<b>\$ 337,988,217</b>	<b>\$ 25,205,834</b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**General Fixed Assets Account Group**  
**Schedules**  
**Fiscal Year Ended June 30, 1999**

The General Fixed Assets Account Group accounts for fixed assets of the Department other than those recorded in the Enterprise Fund. Depreciation is not recorded on general fixed assets.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Schedule of General Fixed Assets by Function and Activity**  
**June 30, 1999**

<b>Function/Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements</b>	<b>Machinery and Equipment</b>	<b>Total</b>
<b>Health and Welfare:</b>					
Administration	\$ 780,799	\$ 4,464,939	\$ 19,435	\$ 30,324,420	\$ 35,589,593
Governor's Advisory Council on Aging	2,859	32,311		14,375	49,545
Governor's Council on Developmental Disabilities	3,337	37,707		9,266	50,310
Interagency Coordinating Council for Infants and Toddlers	2,959	33,441		43,985	80,385
Division of Employee Services and Support	140,286	642,225		1,206,253	1,988,764
Division of Developmental Disabilities	941,725	19,506,861	3,912,345	4,590,083	28,951,014
Division of Benefits and Medical Eligibility:					
Family Assistance Administration	650,904	3,732,718	144,572	7,232,105	11,760,299
Office of Program Evaluation				206,766	206,766
Disability Determination Services Administration				1,429,611	1,429,611
Division of Children, Youth and Families:					
Administration for Children, Youth and Families	203,752	1,037,689	22,642	4,854,436	6,118,519
Comprehensive Medical and Dental Program				166,638	166,638
Child Protective Services Training				39,192	39,192
Division of Employment and Rehabilitation Services:					
Employment Security Administration	680,887	3,960,571	66,992	4,161,114	8,869,564
Rehabilitation Services Administration	19,444	255,153	6,002	2,875,615	3,156,214
Child Care Administration	68,684	223,034	15,259	702,214	1,009,191
Job Training Partnership Act	6,849			637,046	643,895
Jobs Program	26,499	177,672	7,844	638,650	850,665
Division of Aging and Community Services:					
Aging and Adult Administration	22,115	176,173	3,979	437,802	640,069
Community Services Administration	14,888			465,020	479,908
Division of Child Support Enforcement				2,829,945	2,829,945
<b>Total general fixed assets</b>	<b>\$ 3,565,987</b>	<b>\$ 34,280,494</b>	<b>\$ 4,199,070</b>	<b>\$ 62,864,536</b>	<b>\$ 104,910,087</b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Schedule of Changes in General Fixed Assets by Function and Activity**  
**For the Fiscal Year Ended June 30, 1999**

<b>Function/Activity</b>	<b>General Fixed Assets July 1, 1998</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>General Fixed Assets June 30, 1999</b>
<b>Health and Welfare:</b>					
Administration	\$ 35,103,557	\$ 2,271,725	\$ 942,582	\$ (843,107)	\$ 35,589,593
Governor's Advisory Council on Aging	49,545				49,545
Governor's Council on Developmental Disabilities	49,057	9,266	8,013		50,310
Interagency Coordinating Council for Infants and Toddlers	88,708	7,655	8,386	(7,592)	80,385
Division of Employee Services and Support	1,915,748	109,237		(36,221)	1,988,764
Division of Developmental Disabilities	35,602,968	583,031	5,921,342	(1,313,643)	28,951,014
Division of Benefits and Medical Eligibility:					
Family Assistance Administration	9,996,746	609,225	321,291	1,475,619	11,760,299
Office of Program Evaluation	201,762			5,004	206,766
Disability Determination Services Administration	1,411,449	70,661	46,193	(6,306)	1,429,611
Division of Children, Youth and Families:					
Administration for Children, Youth and Families	5,530,696	275,727	111,147	423,243	6,118,519
Comprehensive Medical and Dental Program	148,978	17,660			166,638
Child Protective Services Training	16,737			22,455	39,192
Division of Employment and Rehabilitation Services:					
Employment Security Administration	8,748,075	617,358	373,847	(122,022)	8,869,564
Rehabilitation Services Administration	1,578,431	1,598,196	69,513	49,100	3,156,214
Child Care Administration	676,000	39,052		294,139	1,009,191
Job Training Partnership Act	600,726	10,990		32,179	643,895
Jobs Program	842,352	56,270	7,491	(40,466)	850,665
Division of Aging and Community Services:					
Aging and Adult Administration	542,882	114,529	32,083	14,741	640,069
Community Services Administration	491,274			(11,366)	479,908
Division of Child Support Enforcement	2,900,980	44,066	179,344	64,243	2,829,945
<b>Total general fixed assets</b>	<b>\$ 106,496,671</b>	<b>\$ 6,434,648</b>	<b>\$ 8,021,232</b>	<b>\$ 0</b>	<b>\$ 104,910,087</b>



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Schedule of General Fixed Assets by Source**  
**June 30, 1999**

**General Fixed Assets:**

Land	\$ 3,565,987
Buildings	34,280,494
Improvements	4,199,070
Machinery and equipment	<u>62,864,536</u>
<b>Total general fixed assets</b>	<b><u>\$ 104,910,087</u></b>

**Investment in General Fixed Assets by Source:**

General Fund	\$ 63,575,001
Special Revenue Funds	173,207
Trust and Agency Funds	280,564
Fixed assets - initial inventory	<u>40,881,315</u>
<b>Total investment in general fixed assets by source</b>	<b><u>\$ 104,910,087</u></b>

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Statistical Section**  
**June 30, 1999**

The Department of Economic Security (Department) presents statistical tables in its Comprehensive Annual Financial Report (CAFR) that are relative to its operations as a human services agency of the State of Arizona. Those tables are as follows:

- Comparison Between Arizona and United States Population—Last Ten Calendar Years
- Comparison Between Arizona and United States Per Capita Income—Last Ten Calendar Years
- Expenditures by Function and Funding Source (Governmental and Expendable Trust Funds)—Last Ten Fiscal Years
- Revenues by Funding Source (Governmental and Expendable Trust Funds)—Last Ten Fiscal Years
- Comparison Between Arizona and United States Unemployment—Last Ten Calendar Years
- Unemployment Insurance Financial Transaction Summary—Last Ten Fiscal Years
- Food Stamp Benefits Participants—Last Ten Fiscal Years
- Temporary Assistance for Needy Families—Last Ten Fiscal Years
- General Assistance—Last Ten Fiscal Years
- Jobs Program—Comparison of Participants and Participants Employed to the Percentage Retained—Last Nine Fiscal Years
- Child Support Enforcement Collections—Last Ten Fiscal Years

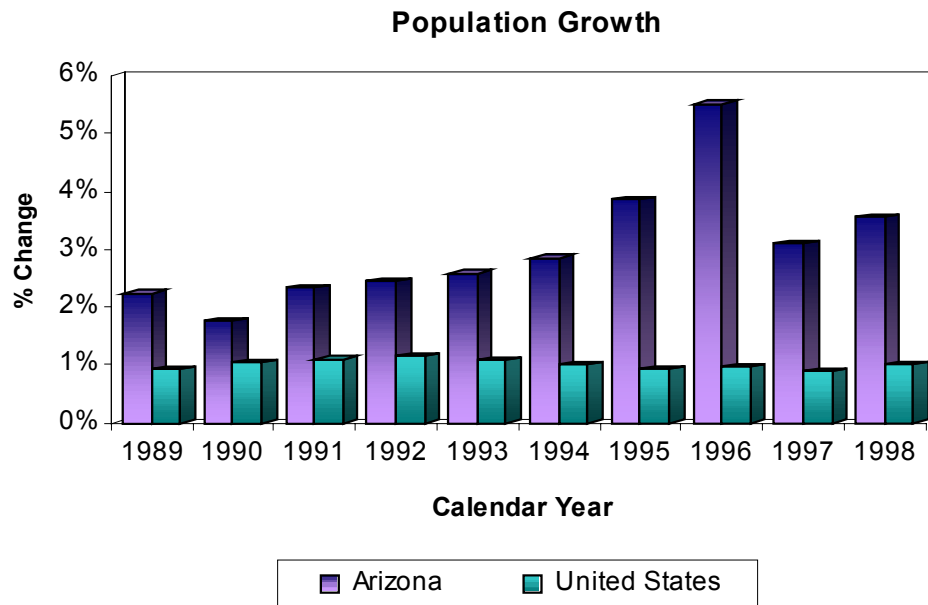
Certain statistical tables typical to a CAFR are not presented in the Department's CAFR as such tables do not apply to the Department. For information regarding data applicable to the State of Arizona, please refer to the State of Arizona CAFR for the year ended June 30, 1999.

**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Comparison Between Arizona and United States**  
**Population**  
**For the Calendar Years Ended December 31**

<u>Year</u>	<u>Arizona Population</u>	<u>United States Population</u>	<u>Percentage Change in Arizona Population</u>	<u>Percentage Change in U.S. Population</u>
1989	3,617,300	246,820,200	2.23%	0.93%
1990	3,680,800	249,402,000	1.76%	1.05%
1991	3,767,000	252,131,000	2.34%	1.09%
1992	3,858,900	255,028,000	2.44%	1.15%
1993	3,958,875	257,783,000	2.59%	1.08%
1994	4,071,650	260,341,000	2.85%	0.99%
1995	4,228,900	262,755,000	3.86%	0.93%
1996	4,462,300	265,284,000	5.52%	0.96%
1997	4,600,275	267,636,100	3.09%	0.89%
1998	4,764,025	270,299,000	3.56%	0.99%

Source: The United States Bureau of Economic Analysis; and the Arizona Department of Economic Security, Research Administration.

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented for some years may not match the amounts presented in the Department's CAFR for the prior years.



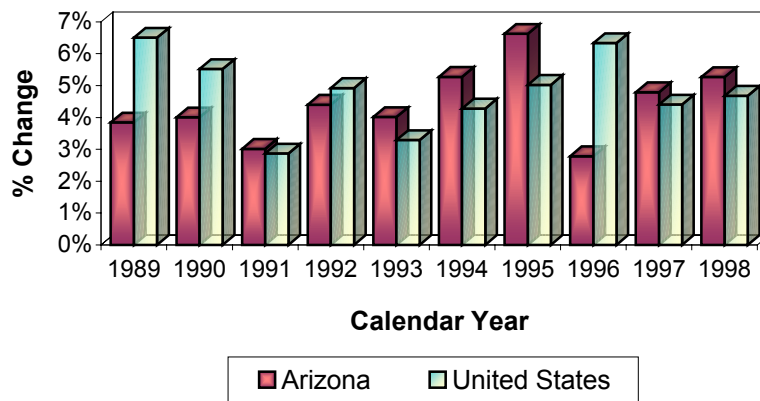
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Comparison Between Arizona and United States**  
**Per Capita Income**  
**For the Calendar Years Ended December 31**

<u>Year</u>	<u>Arizona Per Capita Income</u>	<u>U.S. Per Capita Income</u>	<u>Percentage Change in Arizona Per Capita Income</u>	<u>Percentage Change in U.S. Per Capita Income</u>
1989	\$ 15,639	\$ 17,690	3.84%	6.50%
1990	16,265	18,666	4.00%	5.52%
1991	16,755	19,201	3.01%	2.87%
1992	17,492	20,146	4.40%	4.92%
1993	18,194	20,809	4.01%	3.29%
1994	19,153	21,699	5.27%	4.28%
1995	20,421	22,788	6.62%	5.02%
1996	20,989	24,231	2.78%	6.33%
1997	21,994	25,298	4.79%	4.40%
1998	23,152	26,482	5.27%	4.68%

Source: The United States Bureau of Economic Analysis.

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented for some years may not match the amounts presented in the Department's CAFR for the prior years.

**Change in Per Capita Income**



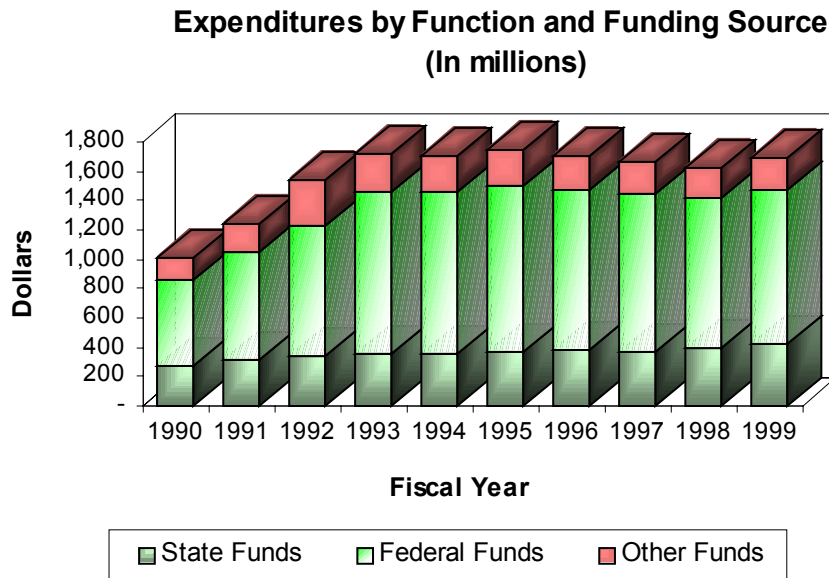
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Expenditures by Function and Funding Source**  
**(Governmental and Expendable Trust Funds)**  
**For the Fiscal Years Ended June 30**

HEALTH AND WELFARE:

Year	State Funds	Federal Funds	Other Funds	Total Funds
1990	\$ 275,996,200	\$ 587,861,220	\$ 143,559,128	\$ 1,007,416,548
1991	316,315,000	737,106,621	189,889,787	1,243,311,408
1992	343,758,700	888,109,515	306,811,857	1,538,680,072
1993	360,053,000	1,097,998,692	258,209,249	1,716,260,941
1994	353,782,600	1,111,025,346	238,523,964	1,703,331,910
1995	372,114,400	1,129,460,885	240,231,124	1,741,806,409
1996	386,169,400	1,092,763,240	225,288,163	1,704,220,803
1997	370,757,400	1,072,660,950	216,699,361	1,660,117,711
1998	400,340,700	1,018,548,228	202,518,001	1,621,406,929
1999	425,235,500	1,045,925,462	220,049,050	1,691,210,012

Source: The Arizona Department of Economic Security, Office of the Budget, Unaudited, 1990 - 1992; Audited Annual Financial Report, 1993; and Audited Comprehensive Annual Financial Report, 1994, 1995, 1996, 1997, 1998 and 1999.

Note: The Federal Funds amounts include amounts for food stamp benefits distributed.

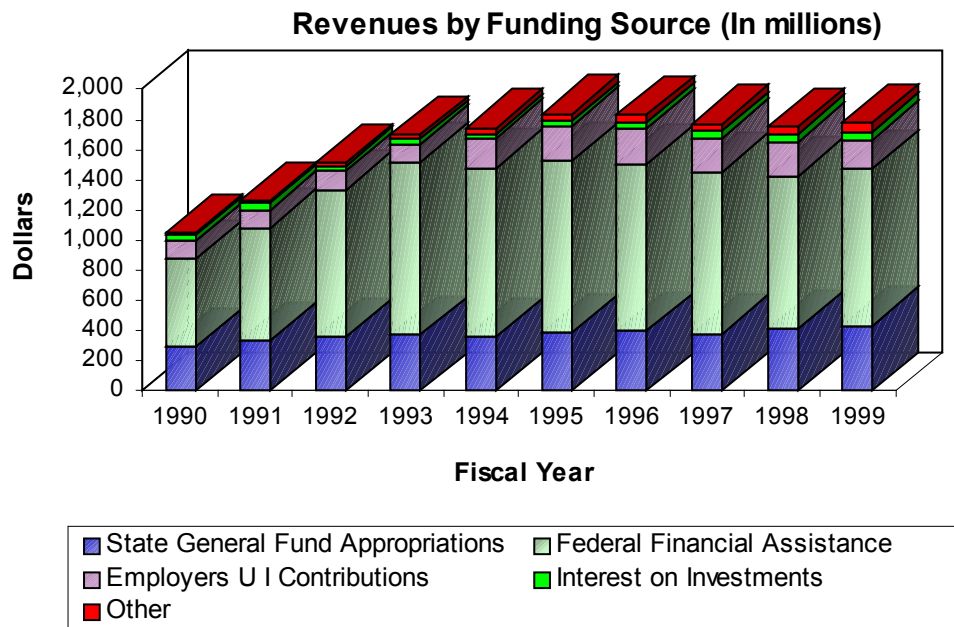


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Revenues by Funding Source**  
**(Governmental and Expendable Trust Funds)**  
**For the Fiscal Years Ended June 30**

Year	State General Fund Appropriations	Federal Financial Assistance	Employers U I Contributions	Interest on Investments	Other	Total
1990	\$ 288,332,281	\$ 582,724,562	\$ 120,052,136	\$ 43,466,615	\$ 13,200,766	\$ 1,047,776,360
1991	332,164,261	749,433,305	118,497,757	43,182,744	14,345,396	1,257,623,463
1992	357,457,800	972,447,084	128,042,602	36,066,284	14,136,310	1,508,150,080
1993	367,363,500	1,148,257,103	124,081,164	29,012,139	32,186,623	1,700,900,529
1994	356,801,100	1,121,879,899	201,229,020	26,681,446	37,330,662	1,743,922,127
1995	379,581,100	1,142,831,235	235,800,076	30,346,709	45,731,486	1,834,290,606
1996	397,217,300	1,110,112,146	239,480,340	38,861,761	48,154,973	1,833,826,520
1997	373,669,400	1,078,901,892	225,101,956	43,414,155	47,406,581	1,768,493,984
1998	409,640,900	1,016,492,399	223,517,434	51,591,704	49,907,366	1,751,149,803
1999	425,530,200	1,045,521,174	191,326,704	58,281,429	56,212,888	1,776,872,395

Source: The Arizona Department of Economic Security, Office of Finance, Unaudited, 1990 - 1992; Audited Annual Financial Report, 1993; and Audited Comprehensive Annual Financial Report, 1994, 1995, 1996, 1997, 1998 and 1999.

Note: The Federal Financial Assistance amounts include amounts for food stamp benefits distributed.



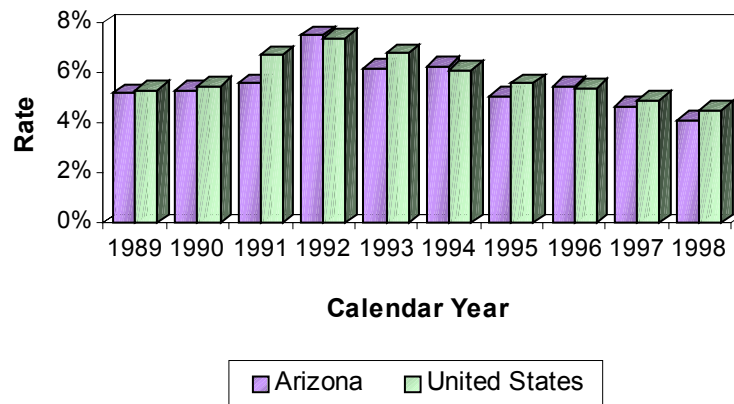
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Comparison Between Arizona and United States Unemployment**  
**For the Calendar Years Ended December 31**

<u>Year</u>	<u>Number of Unemployed - Arizona</u>	<u>Number of Unemployed - U.S.</u>	<u>Unemployment Rate - Arizona</u>	<u>Unemployment Rate - U.S.</u>
1989	89,000	6,528,000	5.20%	5.30%
1990	96,000	6,874,000	5.30%	5.50%
1991	100,000	8,426,000	5.60%	6.70%
1992	135,000	9,384,000	7.50%	7.40%
1993	113,000	8,734,000	6.20%	6.80%
1994	126,000	7,996,000	6.30%	6.10%
1995	107,700	7,404,000	5.10%	5.60%
1996	123,900	7,236,000	5.50%	5.40%
1997	110,600	6,739,000	4.70%	4.90%
1998	94,000	6,210,000	4.10%	4.50%

Source: The Arizona Department of Economic Security, Research Administration, Economic Analysis; the WEFA Group; and the United States Department of Labor, Monthly Labor Review.

Note: The information contained in the sources used for this table is revised on a continuing basis and, accordingly, the amounts in the above table have been revised. Therefore, amounts presented for some years may not match the amounts presented in the Department's CAFR for the prior years.

**Unemployment Rate**



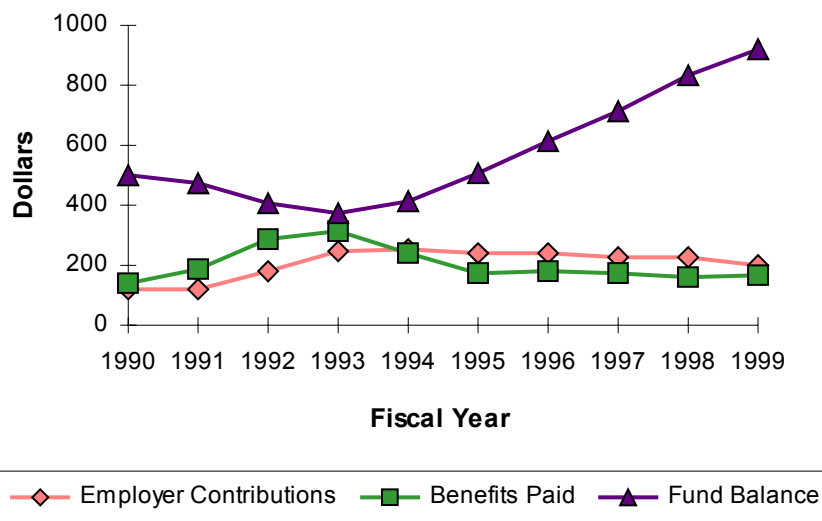
**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Unemployment Insurance Financial Transaction Summary**  
**For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Total Employer Contributions</u>	<u>Total Benefits Paid</u>	<u>Trust Fund Balance</u>
1990	\$ 121,797,545	\$ 138,711,820	\$ 498,579,399
1991	118,315,651	186,322,241	473,972,183
1992	178,838,516	284,087,630	406,935,508
1993	247,003,400	311,482,824	372,205,292
1994	253,105,103	238,666,989	412,794,159
1995	236,679,799	173,317,247	504,536,522
1996	240,046,970	177,755,864	613,437,439
1997	227,644,491	172,336,147	711,845,399
1998	228,236,334	159,930,580	831,262,488
1999	200,221,238	169,265,609	919,819,409

Source: The Arizona Department of Economic Security, Unemployment Insurance Transaction Summary Report.

Note: The total benefits paid amount for all fiscal years has been adjusted to include interstate benefits.

**Unemployment Insurance Contribution to Benefits and Fund  
Balance (In millions)**



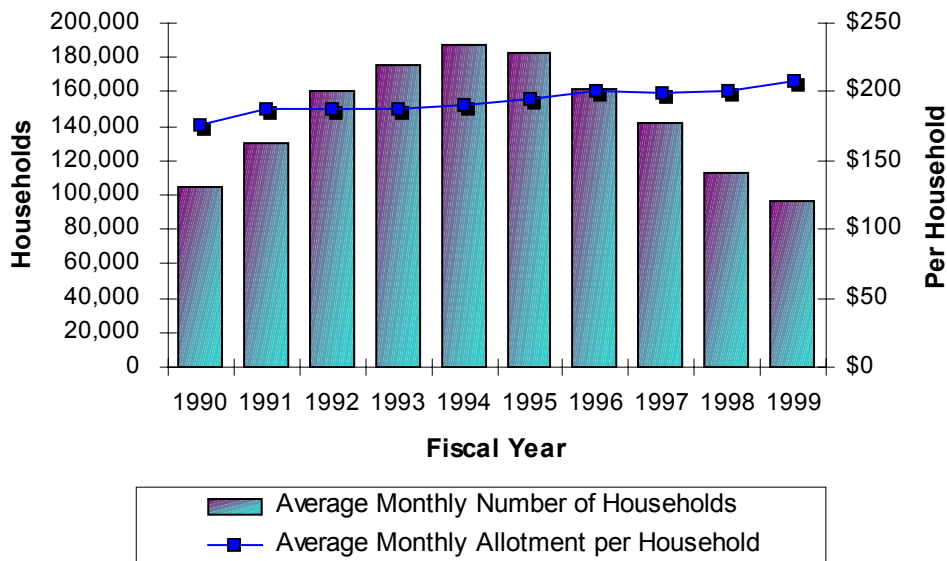


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Food Stamp Benefits Participants**  
**For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Average Monthly Number of Households</u>	<u>Average Monthly Number of Persons</u>	<u>Average Monthly Allotment Per Household</u>	<u>Average Monthly Allotment Per Person</u>	<u>Average Monthly Coupon Issuance</u>
1990	104,550	301,744	\$ 176.34	\$ 61.10	\$ 18,436,629
1991	129,922	369,392	186.53	65.61	24,234,784
1992	160,498	443,310	187.12	67.75	30,032,306
1993	175,686	480,865	186.92	68.29	32,838,478
1994	186,714	510,477	190.10	69.53	35,494,355
1995	182,782	494,637	195.05	72.08	35,651,359
1996	161,415	434,542	200.91	74.63	32,429,993
1997	141,981	385,061	199.34	73.50	28,302,483
1998	112,345	311,142	201.11	72.61	22,593,553
1999	95,938	260,736	207.73	76.43	19,929,511

Source: The Arizona Department of Economic Security, Family Assistance Administration.

**Food Stamps Benefit Participation**

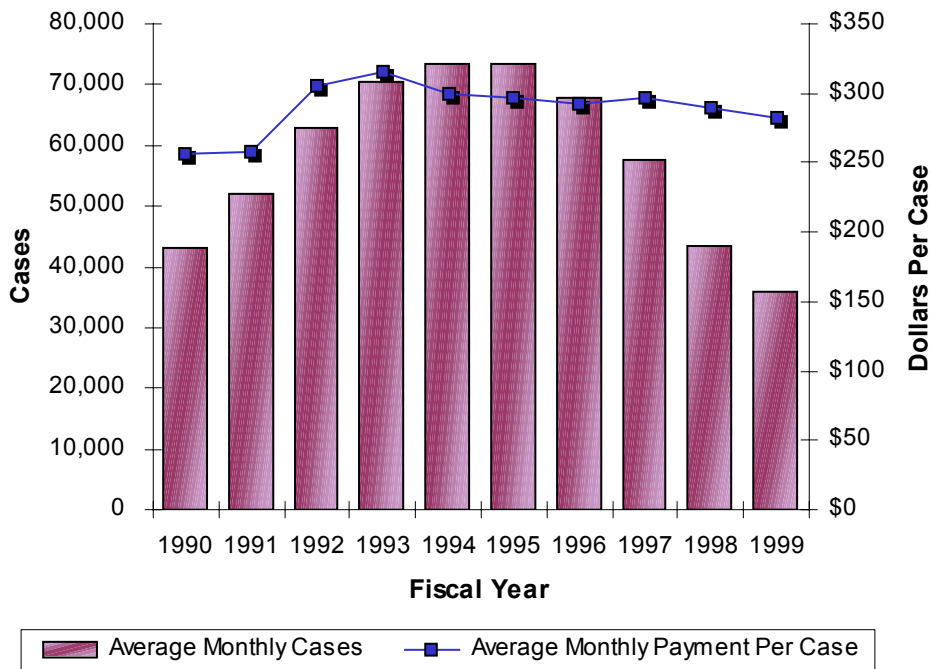


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Temporary Assistance for Needy Families**  
**For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Average Monthly Number of Cases</u>	<u>Average Monthly Number of Recipients</u>	<u>Average Monthly Payment Per Case</u>	<u>Average Monthly Payment Per Recipient</u>	<u>Average Monthly Payments</u>
1990	43,075	123,965	\$ 255.92	\$ 88.93	\$ 11,023,778
1991	51,997	148,258	257.96	90.47	13,413,246
1992	63,015	178,900	304.63	107.30	19,196,299
1993	70,452	197,543	315.48	112.51	22,226,198
1994	73,470	205,203	300.32	107.52	22,064,301
1995	73,277	201,019	296.57	108.11	21,731,910
1996	67,784	183,274	292.15	108.05	19,803,335
1997	57,526	155,037	296.30	109.94	17,045,065
1998	43,601	119,011	290.35	106.37	12,659,966
1999	35,730	95,556	282.66	105.69	10,099,685

Source: The Arizona Department of Economic Security, Family Assistance Administration.

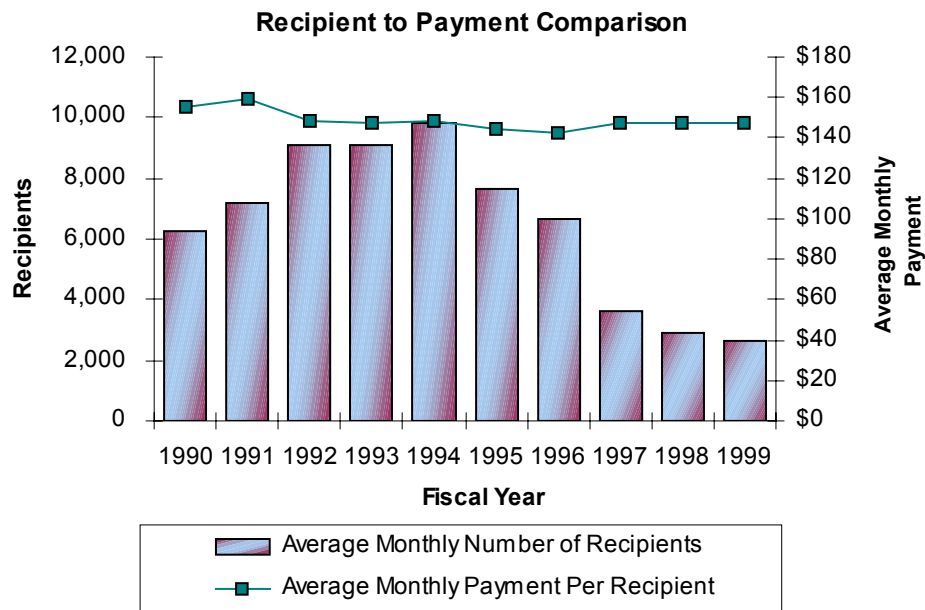
**TANF Cases**



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**General Assistance**  
**For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Average Monthly Number of Recipients</u>	<u>Average Monthly Payment Per Recipient</u>	<u>Average Monthly Payments</u>
1990	6,232	\$ 154.51	\$ 962,918
1991	7,171	159.00	1,140,123
1992	9,116	148.36	1,352,449
1993	9,109	146.78	1,337,067
1994	9,855	147.63	1,455,003
1995	7,618	143.73	1,094,888
1996	6,655	141.97	944,841
1997	3,631	147.25	534,679
1998	2,883	146.87	423,430
1999	2,627	146.67	385,315

Source: The Arizona Department of Economic Security, Family Assistance Administration.

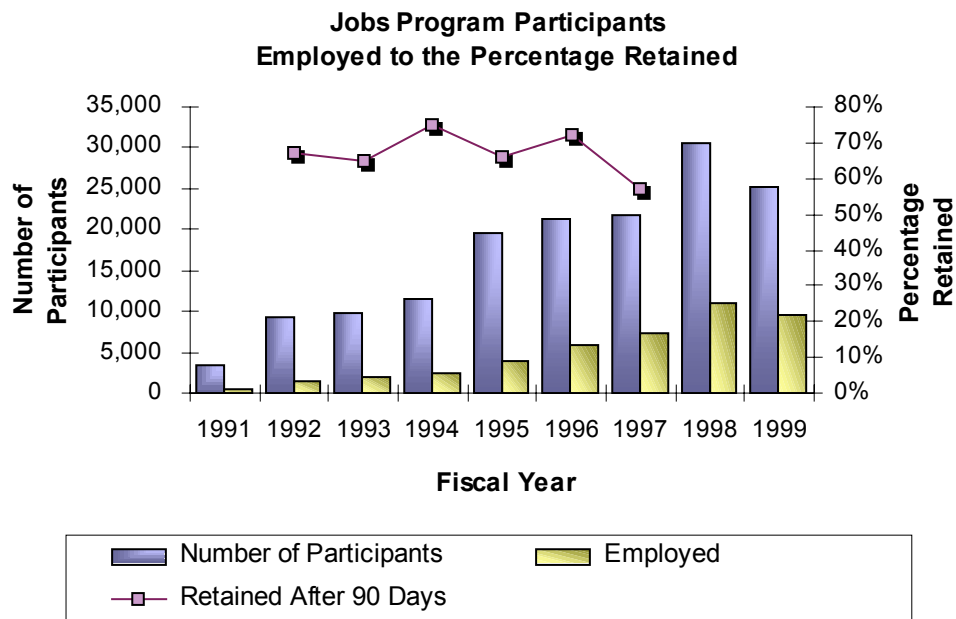


**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Jobs Program**  
**Comparison of Participants and Participants Employed**  
**to the Percentage Retained**  
**For the Fiscal Years Ended June 30**

<u>Year</u>	<u>Number of Participants</u>	<u>Total Employed</u>	<u>Percentage Retained After 90 Days</u>
1991	3,507	606	N/A
1992	9,390	1,489	67%
1993	9,905	1,880	65%
1994	11,446	2,445	75%
1995	19,544	3,984	66%
1996	21,263	5,905	72%
1997	21,734	7,433	57%
1998	30,520	10,930	N/A
1999	25,209	9,604	N/A

Source: The Arizona Department of Economic Security, Jobs/JTPA Administration.

Note: The Jobs Program started in fiscal year 1991. In fiscal years 1991, 1998 and the first half of 1999, percentage retained after 90 days was not tracked as a performance measure.



**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**Child Support Enforcement Collections**  
**For the Fiscal Years Ended June 30**

Year	TANF Collected for Arizona	TANF Collected for Other States	Non-TANF Collected for Arizona	Non-TANF Collected for Other States	Total Collections
1990	\$ 5,415,297	\$ 2,443,148	\$ 21,239,870	\$ 4,218,085	\$ 33,316,400
1991	7,095,200	2,970,089	25,289,765	5,397,716	40,752,770
1992	10,603,300	3,867,800	31,259,700	6,701,100	52,431,900
1993	15,404,200	4,151,500	46,880,600	8,561,800	74,998,100
1994	20,679,000	4,756,100	53,339,400	11,696,800	90,471,300
1995	23,813,000	5,025,800	65,478,200	12,983,200	107,300,200
1996	23,226,800	5,893,600	86,903,200	13,220,700	129,244,300
1997	25,042,400	6,142,200	103,245,200	12,632,300	147,062,100
1998	21,895,100	7,164,900	117,104,400	13,532,600	159,697,000
1999	22,700,300	7,284,700	145,367,800	13,791,700	189,144,500

Source: The Arizona Department of Economic Security, Division of Child Support Enforcement.

Note: Amounts presented in the schedule above do not include non-Title IV-D client collections of approximately \$146.5 million for fiscal year 1998-99.

**Child Support Collections (In millions)**

